

COMMITTEE ON APPROPRIATIONS
SENATE AMENDMENTS TO H.B. 2211
(Reference to House engrossed bill)

Strike everything after the enacting clause and insert:

"Section 1. Section 5-504, Arizona Revised Statutes, is amended to read:

5-504. Commission; director; powers and duties; definitions

A. The commission shall meet with the director not less than once each quarter to make recommendations and set policy, receive reports from the director and transact other business properly brought before the commission.

B. The commission shall oversee a state lottery to produce the maximum amount of net revenue consonant with the dignity of the state. To achieve these ends, the commission shall authorize the director to adopt rules in accordance with title 41, chapter 6. Rules adopted by the director may include provisions relating to the following:

1. Subject to the approval of the commission, the types of lottery games and the types of game play-styles to be conducted.

2. The method of selecting the winning tickets or shares for noncomputerized ~~on-line~~ ONLINE games, except that no method may be used which, in whole or in part, depends on the results of a dog race, a horse race or any sporting event.

3. The manner of payment of prizes to the holders of winning tickets or shares, including providing for payment by the purchase of annuities in the case of prizes payable in installments, except that the commission staff shall examine claims and may not pay any prize based on altered, stolen or counterfeit tickets or based on any tickets which fail to meet established validation requirements, including rules stated on the ticket or in the published game rules, and confidential validation tests applied consistently by the commission staff. No particular prize in a lottery game may be paid more than once, and in the event of a binding determination that more than one person is entitled to a particular prize, the sole remedy of the claimants is the award to each of them of an equal portion of the single prize.

4. The method to be used in selling tickets or shares, except that no elected official's name may be printed on such tickets or shares. The overall estimated odds of winning some prize or some cash prize, as appropriate, in a given game shall be printed on each ticket or share.

5. The licensing of agents to sell tickets or shares, except that a person WHO IS under ~~the age of~~ eighteen YEARS OF AGE shall not be licensed as an agent.

1 6. The manner and amount of compensation to be paid licensed sales
2 agents necessary to provide for the adequate availability of tickets or
3 shares to prospective buyers and for the convenience of the public, including
4 provision for variable compensation based on sales volume.

5 7. Matters necessary or desirable for the efficient and economical
6 operation and administration of the lottery and for the convenience of the
7 purchasers of tickets or shares and the holders of winning tickets or shares.

8 C. The commission shall authorize the director to issue orders and
9 shall approve orders issued by the director for the necessary operation of
10 the lottery. Orders issued under this subsection may include provisions
11 relating to the following:

12 1. The prices of tickets or shares in lottery games.

13 2. The themes, game play-styles, and names of lottery games and
14 definitions of symbols and other characters used in lottery games, except
15 that each ticket or share in a lottery game shall bear a unique
16 distinguishable serial number.

17 3. The sale of tickets or shares at a discount for promotional
18 purposes.

19 4. The prize structure of lottery games, including the number and size
20 of prizes available. Available prizes may include free tickets in lottery
21 games and merchandise prizes.

22 5. The frequency of drawings, if any, or other selections of winning
23 tickets or shares, except that:

24 (a) All drawings shall be open to the public.

25 (b) The actual selection of winning tickets or shares may not be
26 performed by an employee or member of the commission.

27 (c) Noncomputerized ~~on-line~~ ONLINE game drawings shall be witnessed by
28 an independent observer.

29 6. Requirements for eligibility for participation in grand drawings or
30 other runoff drawings, including requirements for the submission of evidence
31 of eligibility within a shorter period than that provided for claims by
32 section 5-518.

33 7. Incentive and bonus programs designed to increase sales of lottery
34 tickets or shares and to produce the maximum amount of net revenue for this
35 state.

36 D. Notwithstanding title 41, chapter 6 and subsection B of this
37 section, the director, subject to the approval of the commission, may
38 establish a policy, procedure or practice that relates to an existing ~~on-line~~
39 ONLINE game or a new ~~on-line~~ ONLINE game which is the same type and has the
40 same type of game play-style as an ~~on-line~~ ONLINE game currently being
41 conducted by the lottery or may modify an existing rule for an existing
42 ~~on-line~~ ONLINE game or a new ~~on-line~~ ONLINE game which is the same type and
43 has the same type of game play-style as an ~~on-line~~ ONLINE game currently
44 being conducted by the lottery, including establishing or modifying the
45 matrix for an ~~on-line~~ ONLINE game by giving notice of the establishment or
46 modification at least thirty days before the effective date of the
47 establishment or modification.

1 E. The commission shall maintain and make the following information
2 available for public inspection at its offices during regular business hours:

3 1. A detailed listing of the estimated number of prizes of each
4 particular denomination expected to be awarded in any instant game currently
5 on sale.

6 2. After the end of the claim period prescribed by section 5-518, a
7 listing of the total number of tickets or shares sold and the number of
8 prizes of each particular denomination awarded in each lottery game.

9 3. Definitions of all play symbols and other characters used in each
10 lottery game and instructions on how to play and how to win each lottery
11 game.

12 F. Any information that is maintained by the commission and that would
13 assist a person in locating or identifying a winning ticket or share or that
14 would otherwise compromise the integrity of any lottery game is deemed
15 confidential and is not subject to public inspection.

16 G. The commission ~~shall~~, in addition to other games authorized by this
17 article, ~~SHALL~~ establish two special games for each year to be conducted
18 concurrently with other lottery games authorized under subsection B of this
19 section. The monies for prizes, for operating expenses and for payment to
20 the commerce and economic development commission fund, as provided in section
21 5-522, subsection A, paragraph ~~3-~~ 2, shall be accounted for separately as
22 nearly as practicable in the lottery commission's general accounting system.
23 The monies shall be derived from the revenues of the special games, and
24 monies for prizes do not become an expense to the lottery commission's annual
25 appropriation as provided in section 5-505, subsection D and section 5-522,
26 subsection ~~H-~~ L. Monies saved from the revenues of the special games, by
27 reason of operating efficiencies, shall become other revenue of the lottery
28 commission and revert to the state general fund.

29 H. The commission ~~may~~, in addition to other games authorized by this
30 article, ~~MAY~~ establish multistate lottery games to be conducted concurrently
31 with other lottery games authorized under subsections B and ~~H-~~ G of this
32 section. The monies for prizes, for operating expenses and for payment to
33 the local transportation assistance fund, as provided in section 28-8101, and
34 the state general fund shall be accounted for separately as nearly as
35 practicable in the lottery commission's general accounting system. The
36 monies shall be derived from the revenues of multistate lottery games.

37 I. The commission or director shall not establish or operate any
38 ~~on-line~~ ONLINE or electronic keno game or any game played on the internet.

39 J. THE COMMISSION OR DIRECTOR SHALL NOT ESTABLISH OR OPERATE ANY
40 LOTTERY GAME OR ANY TYPE OF GAME PLAY STYLE, EITHER INDIVIDUALLY OR IN
41 COMBINATION, THAT USES GAMING DEVICES OR VIDEO LOTTERY TERMINALS AS THOSE
42 TERMS ARE USED IN SECTION 5-601.02, INCLUDING MONITOR GAMES THAT PRODUCE OR
43 DISPLAY OUTCOMES OR RESULTS MORE THAN ONCE PER HOUR.

44 ~~J-~~ K. The director shall print, in a prominent location on each
45 lottery ticket or share, a statement that help is available if a person has a
46 problem with gambling and a toll free telephone number where problem gambling
47 assistance is available. The director shall require all licensed agents to
48 post a sign with the statement that help is available if a person has a

1 problem with gambling and the toll free telephone number at the point of sale
2 as prescribed and supplied by the director. The requirements of this
3 subsection apply to tickets and shares printed after July 18, 2000.

4 ~~K.~~ L. For the purposes of this section:

5 1. "Game play-style" means the process or procedure that a player must
6 follow to determine if a lottery ticket or share is a winning ticket or
7 share.

8 2. "Matrix" means the odds of winning a prize and the prize payout
9 amounts in a given game.

10 Sec. 2. Section 5-505, Arizona Revised Statutes, is amended to read:

11 5-505. Apportionment of revenue

12 A. Not more than eighteen and one-half per cent of the total annual
13 revenues accruing from the sale of lottery tickets or shares and from all
14 other sources shall be deposited in the state lottery fund established
15 ~~pursuant to BY~~ section 5-521 to be expended for the following:

16 1. The payment of costs incurred in the operation and administration
17 of the lottery, including the expenses of the commission and the costs
18 resulting from any contract or contracts entered into for consulting or
19 operational services, ~~or for promotional and advertising services. Not more~~
20 ~~than four per cent of the total annual gross revenues of the lottery shall be~~
21 ~~expended for promotional or advertising services.~~

22 2. Independent audits, which shall be performed annually in addition
23 to the audits required by section 5-524.

24 3. Incentive programs for lottery sales agents and lottery employees.

25 4. Payment of compensation to licensed sales agents necessary to
26 provide for the adequate availability of tickets or services to prospective
27 buyers and for the convenience of the public. Compensation of licensed sales
28 agents shall be at least ~~six~~ FIVE and one-half per cent but not more than
29 ~~seven~~ EIGHT per cent of the price of each ticket or share that a retail sales
30 agent sells in instant games and ~~on-line~~ ONLINE games, less the price of any
31 tickets or shares that are voided.

32 5. The payment of reasonable fees to redemption agents as authorized
33 by section 5-519.

34 6. The purchase or lease of lottery equipment, tickets and materials.

35 ~~B. Not less than twenty-nine per cent of the total annual revenues~~
36 ~~accruing from the sale of lottery tickets or shares in on-line games and not~~
37 ~~less than twenty-one and one-half per cent of the total annual revenues~~
38 ~~accruing from the sale of lottery tickets or shares in instant games shall be~~
39 ~~deposited in the state lottery fund established pursuant to section 5-521 to~~
40 ~~be used as prescribed in section 5-522, subsection A, paragraphs 3, 4, 5 and~~
41 ~~6, and section 5-522, subsections B, C, D and E.~~

42 ~~C.~~ B. Not less than fifty per cent of the total annual revenues
43 accruing from the sale of lottery tickets or shares shall be deposited in the
44 state lottery prize fund established ~~pursuant to BY~~ section 5-523 for payment
45 of prizes to the holders of winning tickets or shares or for other purposes
46 provided for in section 5-518.

47 C. ALL OTHER REVENUES ACCRUING FROM THE SALE OF LOTTERY TICKETS OR
48 SHARES IN ONLINE GAMES OR INSTANT GAMES SHALL BE DEPOSITED IN THE STATE

1 LOTTERY FUND ESTABLISHED BY SECTION 5-521 TO BE USED AS PRESCRIBED BY SECTION
2 5-522.

3 D. Except for monies for prizes expended as provided in section 5-504,
4 subsection ~~H- G~~ and section 41-1505.10, monies expended under subsection A of
5 this section shall be subject to legislative appropriation.

6 Sec. 3. Section 5-507, Arizona Revised Statutes, is amended to read:

7 5-507. Monthly reports; annual reports

8 A. The director shall make a monthly report to the commission, the
9 governor, the speaker of the house of representatives and the president of
10 the senate. The monthly report shall include the total lottery revenue,
11 prize disbursements and other expenses for the preceding month.

12 B. THE DIRECTOR SHALL MAKE A REPORT ON OR BEFORE AUGUST 15 OF EACH
13 YEAR TO THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE
14 DIRECTOR OF THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING
15 CONTAINING:

16 1. A SUMMARY OF THE CRITERIA USED TO EVALUATE EMPLOYEE PERFORMANCE AND
17 DISTRIBUTION OF ANY APPROPRIATION FOR THE PRECEDING FISCAL YEAR AS
18 PERFORMANCE PAY.

19 2. AN ACCOUNTING OF TOTAL DISTRIBUTIONS OF THAT APPROPRIATION.

20 3. THE PERCENTAGES OF THAT DISTRIBUTION THAT WERE BASED ON INDIVIDUAL
21 EMPLOYEE PERFORMANCE AND ON LOTTERY SALES GOALS.

22 ~~B- C.~~ C. The commission shall make an annual report to the governor, the
23 speaker of the house of representatives and the president of the senate. The
24 annual report shall include a full and complete statement of lottery
25 revenues, prize disbursements and other expenses for the preceding years, and
26 recommendations for amendments to this chapter as the commission deems
27 necessary or desirable.

28 Sec. 4. Section 5-522, Arizona Revised Statutes, is amended to read:

29 5-522. Use of monies in state lottery fund; report

30 A. The monies in the state lottery fund shall be expended only for the
31 following purposes and in the order provided:

32 1. For the expenses of the commission incurred in carrying out its
33 powers and duties and in the operation of the lottery.

34 2. For payment to the commerce and economic development commission
35 fund established by section 41-1505.10 of not less than twenty-one and
36 one-half per cent of the revenues received from the sale of two special
37 lottery games conducted for the benefit of economic development.

38 3. Except as provided in subsection F of this section, for payment to
39 the local transportation assistance fund established by section 28-8101 of
40 not less than ~~twenty-nine per cent of the revenues received from the sale of~~
41 ~~multistate lottery games,~~ NINE MILLION DOLLARS, INCREASING EACH YEAR THAT
42 TOTAL REVENUES TO THE STATE LOTTERY FUND INCREASE up to a maximum of eighteen
43 million dollars each fiscal year, EXCEPT THAT PAYMENTS PURSUANT TO THIS
44 PARAGRAPH SHALL NOT INCREASE BY MORE THAN TEN PER CENT PER YEAR.

45 ~~4. For payment to the state general fund of not less than twenty-one~~
46 ~~and one-half per cent of the revenues received from the sale of any instant~~
47 ~~bingo games conducted by the state lottery and not less than twenty-nine per~~
48 ~~cent of the revenues received from the sale of any on-line three-number games~~

~~conducted by the state lottery, up to a maximum of ten million dollars each fiscal year, except that if on or before June 1 of each fiscal year the state lottery director determines that monies available to the Arizona state parks board heritage fund under subsection D of this section may not equal ten million dollars in that fiscal year or that the monies available to the Arizona game and fish commission heritage fund under subsection D of this section may not equal ten million dollars in that fiscal year, or both, the director shall authorize deposits to the Arizona state parks board heritage fund in an amount so that the total monies in that fund in that fiscal year equal ten million dollars or to the Arizona game and fish commission heritage fund in an amount so that the total monies in that fund in that fiscal year equal ten million dollars, or both. The state lottery director shall not make any deposits pursuant to this paragraph until after the director's determination each fiscal year.~~

~~5. Of the monies remaining in the state lottery fund from the sale of instant bingo games and on line three number games each fiscal year, thirty per cent shall be allocated to the funds and programs described in subsection E of this section and seventy per cent shall be deposited in the local transportation assistance fund established by section 28-8101. The director shall not allocate more than the amount specified in subsection E of this section for each fiscal year to the funds and programs described in subsection E of this section from the state lottery fund pursuant to this paragraph and subsection E of this section. A maximum of eighteen million dollars may be deposited in the local transportation assistance fund each fiscal year from the state lottery fund pursuant to this paragraph and paragraph 3 of this subsection.~~

B. Of the monies remaining in the state lottery fund after the appropriations authorized in subsection A of this section, ~~seventy-five per cent~~ up to a maximum of twenty-three million dollars each fiscal year shall be deposited in the local transportation assistance fund established by section 28-8101 and ~~twenty-five per cent~~ up to a maximum of seven million six hundred fifty thousand dollars each fiscal year shall be deposited in the county assistance fund established by section 41-175. Monies distributed pursuant to this subsection shall be in addition to monies distributed pursuant to subsection A, ~~paragraphs~~ PARAGRAPH 3 ~~and 5~~ of this section.

C. Notwithstanding subsection B of this section, if the state lottery director determines at the beginning of any fiscal year that monies available to cities, towns and counties under this section may not equal thirty million six hundred fifty thousand dollars, the director shall not authorize deposits to the county assistance fund until the deposits to the local transportation assistance fund equal twenty-three million dollars.

D. Of the monies remaining in the state lottery fund each fiscal year after appropriations and deposits authorized in subsections A, B and C of this section, ten million dollars shall be deposited in the Arizona state parks board heritage fund established by section 41-502 and ten million dollars shall be deposited in the Arizona game and fish commission heritage fund established by section 17-297.

1 E. Of the monies remaining in the state lottery fund each fiscal year
2 after appropriations and deposits authorized in subsections A, B, C and D of
3 this section, and appropriations and deposits to the local transportation
4 assistance fund authorized by this section, five million dollars shall be
5 allocated to the department of economic security for the healthy families
6 program established by section 8-701, four million dollars shall be allocated
7 to the Arizona board of regents for the Arizona area health education system
8 established by section 15-1643, three million dollars shall be allocated to
9 the department of health services to fund the teenage pregnancy prevention
10 programs established in Laws 1995, chapter 190, sections 2 and 3, two million
11 dollars shall be allocated to the department of health services for the
12 health start program established by section 36-697, two million dollars shall
13 be deposited in the disease control research fund established by section
14 36-274 and one million dollars shall be allocated to the department of health
15 services for the federal women, infants and children food program. The
16 allocations in this subsection shall be adjusted annually according to
17 changes in the GDP price deflator as defined in section 41-563 and the
18 allocations are exempt from the provisions of section 35-190, relating to
19 lapsing of appropriations. If there are not sufficient monies available
20 pursuant to this subsection, the allocation of monies for each program shall
21 be reduced on a pro rata basis.

22 F. Notwithstanding subsection A, paragraph 3 of this section, if the
23 state lottery director determines that monies available to the state general
24 fund ~~from the sale of multistate lottery games~~ may not equal thirty-one
25 million dollars in a fiscal year, the director shall not authorize deposits
26 to the local transportation assistance fund pursuant to subsection A,
27 paragraph 3 of this section until the deposits to the state general fund ~~from~~
28 ~~the sale of multistate lottery games~~ equal thirty-one million dollars in a
29 fiscal year.

30 G. Of the monies remaining in the state lottery fund each fiscal year
31 after appropriations and deposits authorized in subsections A through F of
32 this section, one million dollars or the remaining balance in the fund,
33 whichever is less, is appropriated to the department of economic security for
34 grants to nonprofit organizations, including faith based organizations, for
35 homeless emergency and transitional shelters and related support services.
36 The department of economic security shall submit a report on the amounts,
37 recipients, purposes and results of each grant to the governor, the speaker
38 of the house of representatives and the president of the senate on or before
39 December 31 of each year for the prior fiscal year and shall provide a copy
40 of this report to the secretary of state and the director of the Arizona
41 state library, archives and public records.

42 H. BEGINNING IN FISCAL YEAR 2009-2010, OF THE MONIES REMAINING IN THE
43 STATE LOTTERY FUND EACH FISCAL YEAR AFTER APPROPRIATIONS AND DEPOSITS
44 AUTHORIZED IN SUBSECTIONS A THROUGH G OF THIS SECTION, AND AFTER A TOTAL OF
45 AT LEAST FORTY-SIX MILLION FOUR HUNDRED NINETY THOUSAND DOLLARS HAS BEEN
46 DEPOSITED IN THE STATE GENERAL FUND, THE REMAINING BALANCE IN THE STATE
47 LOTTERY FUND SHALL BE DEPOSITED IN THE UNIVERSITY CAPITAL IMPROVEMENT
48 LEASE-TO-OWN AND BOND FUND ESTABLISHED BY SECTION 15-1682.03, UP TO A MAXIMUM

1 OF EIGHTY PER CENT OF THE TOTAL ANNUAL PAYMENTS OF LEASE-TO-OWN AND BOND
2 AGREEMENTS ENTERED INTO BY THE ARIZONA BOARD OF REGENTS.

3 I. BEGINNING IN FISCAL YEAR 2009-2010, OF THE MONIES REMAINING IN THE
4 STATE LOTTERY FUND EACH FISCAL YEAR AFTER APPROPRIATIONS AND DEPOSITS
5 AUTHORIZED IN SUBSECTIONS A THROUGH H OF THIS SECTION, TEN MILLION DOLLARS
6 OR THE REMAINING BALANCE IN THE FUND, WHICHEVER IS LESS, IS APPROPRIATED TO
7 THE DEPARTMENT OF ENVIRONMENTAL QUALITY'S WATER SUPPLY DEVELOPMENT FUND LINE
8 ITEM.

9 J. BEGINNING IN FISCAL YEAR 2009-2010, OF THE MONIES REMAINING IN THE
10 STATE LOTTERY FUND EACH FISCAL YEAR AFTER APPROPRIATIONS AND DEPOSITS
11 AUTHORIZED IN SUBSECTIONS A THROUGH I OF THIS SECTION, THREE MILLION DOLLARS
12 OR THE REMAINING BALANCE IN THE FUND, WHICHEVER IS LESS, IS APPROPRIATED TO
13 THE COMMUNITY PROTECTION INITIATIVE FUND ESTABLISHED BY SECTION 37-641.

14 ~~H.~~ K. All monies remaining in the state lottery fund after the
15 appropriations and deposits authorized in this section shall be deposited in
16 the state general fund.

17 ~~I.~~ L. Except for monies expended for prizes as provided in section
18 5-504, subsection G and section 41-1505.10, monies expended under subsection
19 A of this section are subject to legislative appropriation.

20 Sec. 5. Section 5-523, Arizona Revised Statutes, is amended to read:

21 5-523. State lottery prize fund; setoff for state debts;
22 notification to department of economic security

23 A. The state lottery prize fund is established. That portion of the
24 gross proceeds which is apportioned pursuant to section 5-505, subsection ~~C~~
25 B shall be deposited, pursuant to sections 35-146 and 35-147, directly in the
26 state lottery prize fund as the commission receives such proceeds and shall
27 be available for payment of prizes to the holders of winning tickets or
28 shares or for the other purposes provided for in section 5-518. Procedures
29 for payments to winners from this fund shall be established by rule or order
30 of the commission. Notwithstanding any other statute, transfers or payments
31 to or from the state lottery prize fund are not appropriations by the
32 legislature, and deposits in the state lottery prize fund are not subject to
33 appropriation by the legislature.

34 B. Payments to winners which are payable by the commission or lottery
35 redemption agents pursuant to this section in an amount of six hundred
36 dollars or more are subject to setoff under section 5-525.

37 C. The commission shall furnish the department of economic security
38 with the names and the social security numbers of persons who are paid
39 lottery prizes or winnings in an amount of six hundred dollars or more
40 pursuant to this section for purposes prescribed by section 41-1965. The
41 department of economic security shall pay the commission for the cost of
42 furnishing the information.

43 Sec. 6. Section 15-185, Arizona Revised Statutes, is amended to read:

44 15-185. Charter schools; financing; civil penalty; definitions

45 A. Financial provisions for a charter school that is sponsored by a
46 school district governing board are as follows:

47 1. The charter school shall be included in the district's budget and
48 financial assistance calculations pursuant to paragraph 3 of this subsection

1 and chapter 9 of this title, except for chapter 9, article 4 of this title.
2 The charter of the charter school shall include a description of the methods
3 of funding the charter school by the school district. The school district
4 shall send a copy of the charter and application, including a description of
5 how the school district plans to fund the school, to the state board of
6 education before the start of the first fiscal year of operation of the
7 charter school. The charter or application shall include an estimate of the
8 student count for the charter school for its first fiscal year of operation.
9 This estimate shall be computed pursuant to the requirements of paragraph 3
10 of this subsection.

11 2. A school district is not financially responsible for any charter
12 school that is sponsored by the state board of education or the state board
13 for charter schools.

14 3. A school district that sponsors a charter school may:

15 (a) Increase its student count as provided in subsection B, paragraph
16 2 of this section during the first year of the charter school's operation to
17 include those charter school pupils who were not previously enrolled in the
18 school district. A charter school sponsored by a school district governing
19 board is eligible for the assistance prescribed in subsection B, paragraph 4
20 of this section. The soft capital allocation as provided in section 15-962
21 for the school district sponsoring the charter school shall be increased by
22 the amount of the additional assistance. The school district shall include
23 the full amount of the additional assistance in the funding provided to the
24 charter school.

25 (b) Compute separate weighted student counts pursuant to section
26 15-943, paragraph 2, subdivision (a) for its noncharter school versus charter
27 school pupils in order to maintain eligibility for small school district
28 support level weights authorized in section 15-943, paragraph 1 for its
29 noncharter school pupils only. The portion of a district's student count
30 that is attributable to charter school pupils is not eligible for small
31 school district support level weights.

32 4. If a school district uses the provisions of paragraph 3 of this
33 subsection, the school district is not eligible to include those pupils in
34 its student count for the purposes of computing an increase in its revenue
35 control limit and district support level as provided in section 15-948.

36 5. A school district that sponsors a charter school is not eligible to
37 include the charter school pupils in its student count for the purpose of
38 computing an increase in its capital outlay revenue limit as provided in
39 section 15-961, subsection C, except that if the charter school was
40 previously a school in the district, the district may include in its student
41 count any charter school pupils who were enrolled in the school district in
42 the prior year.

43 6. A school district that sponsors a charter school is not eligible to
44 include the charter school pupils in its student count for the purpose of
45 computing the revenue control limit which is used to determine the maximum
46 budget increase as provided in chapter 4, article 4 of this title unless the
47 charter school is located within the boundaries of the school district.

1 7. If a school district converts one or more of its district public
2 schools to a charter school and receives assistance as prescribed in
3 subsection B, paragraph 4 of this section, and subsequently converts the
4 charter school back to a district public school, the school district shall
5 repay the state the total additional assistance received for the charter
6 school for all years that the charter school was in operation. The repayment
7 shall be in one lump sum and shall be reduced from the school district's
8 current year equalization assistance. The school district's general budget
9 limit shall be reduced by the same lump sum amount in the current year.

10 B. Financial provisions for a charter school that is sponsored by the
11 state board of education or the state board for charter schools are as
12 follows:

13 1. The charter school shall calculate a base support level as
14 prescribed in section 15-943, except that sections 15-941 and 15-942 do not
15 apply to these charter schools.

16 2. Notwithstanding paragraph 1 of this subsection, the student count
17 shall be determined initially using an estimated student count based on
18 actual registration of pupils before the beginning of the school year. After
19 the first one hundred days or two hundred days in session, as applicable, the
20 charter school shall revise the student count to be equal to the actual
21 average daily membership, as defined in section 15-901, or the adjusted
22 average daily membership, as prescribed in section 15-902, of the charter
23 school. Before the one hundredth day or two hundredth day in session, as
24 applicable, the state board of education or the state board for charter
25 schools may require a charter school to report periodically regarding pupil
26 enrollment and attendance and the department of education may revise its
27 computation of equalization assistance based on the report. A charter school
28 shall revise its student count, base support level and additional assistance
29 before May 15. A charter school that overestimated its student count shall
30 revise its budget before May 15. A charter school that underestimated its
31 student count may revise its budget before May 15.

32 3. A charter school may utilize section 15-855 for the purposes of
33 this section. The charter school and the department of education shall
34 prescribe procedures for determining average daily attendance and average
35 daily membership.

36 4. Equalization assistance for the charter school shall be determined
37 by adding the amount of the base support level and additional assistance.
38 The amount of the additional assistance is one thousand four hundred
39 ~~forty-five~~ SEVENTY-FOUR dollars ~~twenty-five~~ SIXTEEN cents per student count
40 in kindergarten programs and grades one through eight and one thousand ~~six~~
41 SEVEN hundred ~~eighty-four~~ EIGHTEEN dollars ~~forty-one~~ TEN cents per student
42 count in grades nine through twelve.

43 5. The state board of education shall apportion state aid from the
44 appropriations made for such purposes to the state treasurer for disbursement
45 to the charter schools in each county in an amount as determined by this
46 paragraph. The apportionments shall be made in twelve equal installments of
47 the total amount to be apportioned during the fiscal year on the fifteenth
48 day of each month of the fiscal year.

1 6. Notwithstanding paragraph 5 of this subsection, if sufficient
2 appropriated monies are available after the first forty days in session of
3 the current year, a charter school may request additional state monies to
4 fund the increased state aid due to anticipated student growth through the
5 first one hundred days or two hundred days in session, as applicable, of the
6 current year as provided in section 15-948. In no event shall a charter
7 school have received more than three-fourths of its total apportionment
8 before April 15 of the fiscal year. Early payments pursuant to this
9 subsection must be approved by the state treasurer, the director of the
10 department of administration and the superintendent of public instruction.

11 7. The charter school shall not charge tuition, levy taxes or issue
12 bonds.

13 8. Not later than noon on the day preceding each apportionment date
14 established by paragraph 5 of this subsection, the superintendent of public
15 instruction shall furnish to the state treasurer an abstract of the
16 apportionment and shall certify the apportionment to the department of
17 administration, which shall draw its warrant in favor of the charter schools
18 for the amount apportioned.

19 C. If a pupil is enrolled in both a charter school and a public school
20 that is not a charter school, the sum of the daily membership, which includes
21 enrollment as prescribed in section 15-901, subsection A, paragraph 2,
22 subdivisions (a) and (b) and daily attendance as prescribed in section
23 15-901, subsection A, paragraph 6, for that pupil in the school district and
24 the charter school shall not exceed 1.0, except that if the pupil is enrolled
25 in both a charter school and a joint technological education district and
26 resides within the boundaries of a school district participating in the joint
27 technological education district, the sum of the average daily membership for
28 that pupil in the charter school and the joint technological education
29 district shall not exceed 1.25. If a pupil is enrolled in both a charter
30 school and a public school that is not a charter school, the department of
31 education shall direct the average daily membership to the school with the
32 most recent enrollment date. Upon validation of actual enrollment in both a
33 charter school and a public school that is not a charter school and if the
34 sum of the daily membership or daily attendance for that pupil is greater
35 than 1.0, the sum shall be reduced to 1.0 and shall be apportioned between
36 the public school and the charter school based on the percentage of total
37 time that the pupil is enrolled or in attendance in the public school and the
38 charter school, except that if the pupil is enrolled in both a charter school
39 and a joint technological education district and resides within the
40 boundaries of a school district participating in the joint technological
41 education district, the sum of the average daily membership for that pupil in
42 the charter school and the joint technological education district shall be
43 reduced to 1.25 and shall be apportioned between the charter school and the
44 joint technological education district based on the percentage of total time
45 that the pupil is enrolled or in attendance in the charter school and the
46 joint technological education district. The uniform system of financial
47 records shall include guidelines for the apportionment of the pupil
48 enrollment and attendance as provided in this section.

1 D. Charter schools are allowed to accept grants and gifts to
2 supplement their state funding, but it is not the intent of the charter
3 school law to require taxpayers to pay twice to educate the same pupils. The
4 base support level for a charter school or for a school district sponsoring a
5 charter school shall be reduced by an amount equal to the total amount of
6 monies received by a charter school from a federal or state agency if the
7 federal or state monies are intended for the basic maintenance and operations
8 of the school. The superintendent of public instruction shall estimate the
9 amount of the reduction for the budget year and shall revise the reduction to
10 reflect the actual amount before May 15 of the current year. If the
11 reduction results in a negative amount, the negative amount shall be used in
12 computing all budget limits and equalization assistance, except that:

13 1. Equalization assistance shall not be less than zero.

14 2. For a charter school sponsored by the state board of education or
15 the state board for charter schools, the total of the base support level, the
16 capital outlay revenue limit, the soft capital allocation and the additional
17 assistance shall not be less than zero.

18 3. For a charter school sponsored by a school district, the base
19 support level for the school district shall not be reduced by more than the
20 amount that the charter school increased the district's base support level,
21 capital outlay revenue limit and soft capital allocation.

22 E. If a charter school was a district public school in the prior year
23 and is now being operated for or by the same school district and sponsored by
24 the state board of education, the state board for charter schools or a school
25 district governing board, the reduction in subsection D of this section
26 applies. The reduction to the base support level of the charter school or
27 the sponsoring district of the charter school shall equal the sum of the base
28 support level and the additional assistance received in the current year for
29 those pupils who were enrolled in the traditional public school in the prior
30 year and are now enrolled in the charter school in the current year.

31 F. Equalization assistance for charter schools shall be provided as a
32 single amount based on average daily membership without categorical
33 distinctions between maintenance and operations or capital.

34 G. At the request of a charter school, the county school
35 superintendent of the county where the charter school is located may provide
36 the same educational services to the charter school as prescribed in section
37 15-308, subsection A. The county school superintendent may charge a fee to
38 recover costs for providing educational services to charter schools.

39 H. If the sponsor of the charter school determines at a public meeting
40 that the charter school is not in compliance with federal law, with the laws
41 of this state or with its charter, the sponsor of a charter school may submit
42 a request to the department of education to withhold up to ten per cent of
43 the monthly apportionment of state aid that would otherwise be due the
44 charter school. The department of education shall adjust the charter
45 school's apportionment accordingly. The sponsor shall provide written notice
46 to the charter school at least seventy-two hours before the meeting and shall
47 allow the charter school to respond to the allegations of noncompliance at
48 the meeting before the sponsor makes a final determination to notify the

1 department of education of noncompliance. The charter school shall submit a
2 corrective action plan to the sponsor on a date specified by the sponsor at
3 the meeting. The corrective action plan shall be designed to correct
4 deficiencies at the charter school and to ensure that the charter school
5 promptly returns to compliance. When the sponsor determines that the charter
6 school is in compliance, the department of education shall restore the full
7 amount of state aid payments to the charter school.

8 I. In addition to the withholding of state aid payments pursuant to
9 subsection H of this section, the sponsor of a charter school may impose a
10 civil penalty of one thousand dollars per occurrence if a charter school
11 fails to comply with the fingerprinting requirements prescribed in section
12 15-183, subsection C or section 15-512. The sponsor of a charter school
13 shall not impose a civil penalty if it is the first time that a charter
14 school is out of compliance with the fingerprinting requirements and if the
15 charter school provides proof within forty-eight hours of written
16 notification that an application for the appropriate fingerprint check has
17 been received by the department of public safety. The sponsor of the charter
18 school shall obtain proof that the charter school has been notified, and the
19 notification shall identify the date of the deadline and shall be signed by
20 both parties. The sponsor of a charter school shall automatically impose a
21 civil penalty of one thousand dollars per occurrence if the sponsor
22 determines that the charter school subsequently violates the fingerprinting
23 requirements. Civil penalties pursuant to this ~~section~~ SUBSECTION shall be
24 assessed by requesting the department of education to reduce the amount of
25 state aid that the charter school would otherwise receive by an amount equal
26 to the civil penalty. The amount of state aid withheld shall revert to the
27 state general fund at the end of the fiscal year.

28 J. A charter school may receive and spend monies distributed by the
29 department of education pursuant to section 42-5029, subsection E and section
30 37-521, subsection B.

31 K. For the purposes of this section:

32 1. "Monies intended for the basic maintenance and operations of the
33 school" means monies intended to provide support for the educational program
34 of the school, except that it does not include supplemental assistance for a
35 specific purpose or P.L. 81-874 monies. The auditor general shall determine
36 which federal or state monies meet the definition in this paragraph.

37 2. "Operated for or by the same school district" means the charter
38 school is either governed by the same district governing board or operated by
39 the district in the same manner as other traditional schools in the district
40 or is operated by an independent party that has a contract with the school
41 district. The auditor general and the department of education shall
42 determine which charter schools meet the definition in this subsection.

1 Sec. 7. Section 15-808, Arizona Revised Statutes, as amended by Laws
2 2008, chapter 155, section 1, is amended to read:

3 15-808. Technology assisted project-based instruction program;
4 report

5 A. A technology assisted project-based instruction program shall be
6 instituted on a pilot basis to meet the needs of pupils in the information
7 age. Until June 30, 2003, the state board of education shall select up to
8 four existing traditional public schools, at least one of which shall serve
9 pupils in kindergarten programs and grades one through twelve, and beginning
10 July 1, 2003, the state board of education shall select seven existing
11 traditional public schools and the state board for charter schools shall
12 select seven charter schools to participate in the program based on the
13 following criteria:

14 1. The depth and breadth of curriculum choices.

15 2. The variety of educational methodologies employed by the school and
16 the means of addressing the unique needs and learning styles of targeted
17 pupil populations, including computer assisted learning systems, virtual
18 classrooms, virtual laboratories, electronic field trips, electronic mail,
19 virtual tutoring, online help desk, group chat sessions and noncomputer based
20 activities performed under the direction of a certificated teacher.

21 3. The availability of an intranet or private network to safeguard
22 pupils against predatory and pornographic elements of the internet.

23 4. The availability of filtered research access to the internet.

24 5. The availability of private individual electronic mail between
25 pupils, teachers, administrators and parents in order to protect the
26 confidentiality of pupil records and information.

27 6. The availability of broadcast quality television production and
28 editing facilities on campus.

29 7. The availability of faculty members who are experienced in
30 broadcast television production.

31 8. The availability of faculty members who are experienced with
32 computer networks, the internet and computer animation.

33 9. The extent to which the school intends to develop partnerships with
34 universities, community colleges and private businesses.

35 10. The services offered to developmentally disabled populations.

36 11. The grade levels that will be served by the program.

37 B. Notwithstanding subsection A of this section, any school that was
38 previously approved to participate is required to reapply every five years
39 for participation in the program. The state board of education and the state
40 board for charter schools shall review the effectiveness of each
41 participating school and other information that is contained in the annual
42 report prescribed in subsection C of this section to determine whether to
43 renew a school's participation in the technology assisted project-based
44 instruction program. At least eighty per cent of the pupils who are accepted
45 each academic school year in each school participating in the program must
46 have been previously enrolled in and attended a public school in the previous
47 school year. Kindergarten pupils shall not participate in the technology
48 assisted project-based instruction program, except that a kindergarten pupil

1 may participate in the program if the pupil has a sibling who is currently
2 enrolled in and attending the program. Pupils who participate in the program
3 are subject to the testing requirements prescribed in chapter 7, article 3 of
4 this title. Upon enrollment, the school shall notify the parents or
5 guardians of the pupil of the state testing requirements. If a pupil fails
6 to comply with the testing requirements and the school administers the tests
7 pursuant to this subsection to less than ninety-five per cent of the pupils
8 in the program, the pupil shall not be allowed to participate in the program.

9 C. Each school selected by the state board of education to participate
10 in the technology assisted project-based instruction program shall submit an
11 annual report to the state board of education and the joint legislative
12 budget committee. The state board of education and the state board for
13 charter schools shall collaborate to develop a uniform reporting format to be
14 used by all schools that participate in the program. Beginning July 1, 2003,
15 each school selected by the state board for charter schools to participate in
16 the technology assisted project-based instruction program shall submit an
17 annual report to the state board for charter schools and the joint
18 legislative budget committee. The reports shall be submitted by August 1 and
19 shall include the following information:

20 1. A description of the educational services that are offered under
21 the program and that specifically relate to the depth and breadth of the
22 curriculum choices offered by the school.

23 2. A description of the effects of media and technology on the
24 delivery of specific educational services to specific pupil populations.

25 3. Academic advancement as measured in grade level equivalents each
26 academic year based on a standardized norm-referenced achievement test.

27 4. Data identified by the state board of education or the state board
28 for charter schools, as appropriate, that compares the academic performance
29 of pupils who participate in the technology assisted project-based
30 instruction program with other pupils in this state and with pupils in that
31 school who do not participate in the technology assisted project-based
32 instruction program.

33 5. The results of a survey of pupil satisfaction with the program,
34 including:

35 (a) Pupils' attitudes about delivery modalities employed by the
36 school.

37 (b) Changes in pupils' attitudes toward learning in general.

38 (c) Changes in pupils' attitudes about their own ability to learn and
39 about their own academic progress.

40 (d) Pupils' attitudes about the school they attend.

41 6. The results of a survey of parental satisfaction with the program,
42 including:

43 (a) Parents' and their children's attitudes about the delivery
44 modalities employed by the school.

45 (b) Changes in their children's attitudes about learning in general.

46 (c) Changes in their children's attitudes about their ability to learn
47 and about their academic progress.

1 (d) Parents' and their children's attitudes about the school that the
2 child attends.

3 7. A description of the availability and equitable distribution of
4 educational services provided under the program, including specific
5 descriptions of the effectiveness of technology tools and modalities used to
6 address the needs of any underserved populations targeted by the school.

7 8. A description of the operational and administrative efficiency of
8 the program.

9 9. A description of the cost-effectiveness of the program.

10 10. A listing of the salaries, by titles and job descriptions, of the
11 administrators who are employed at or contracted for employment at each
12 school selected by the state board of education or the state board for
13 charter schools to participate in the technology assisted project-based
14 instruction program.

15 D. The state board of education and joint legislative budget committee
16 shall collaboratively compile and evaluate the information submitted in the
17 annual reports by schools participating in the pilot program, pursuant to
18 subsection C of this section. The state board of education and the joint
19 legislative budget committee shall report their findings to the governor, the
20 speaker of the house of representatives and the president of the senate by
21 November 15 of each year.

22 E. Each school selected for the technology assisted project-based
23 instruction program shall ensure that a daily log is maintained for each
24 pupil who participates in the program. The daily log shall describe the
25 amount of time spent by each pupil participating in the program pursuant to
26 this section on academic tasks. The daily log shall be used by the school
27 district or charter school to qualify the pupils who participate in the
28 program in the school's average daily attendance calculations pursuant to
29 section 15-901.

30 F. If a pupil is enrolled in a school district or charter school and
31 also participates in the technology assisted project-based instruction
32 program, the sum of the average daily membership, which includes enrollment
33 as prescribed in section 15-901, subsection A, paragraph 2, subdivisions (a)
34 and (b) and daily attendance as prescribed in section 15-901, subsection A,
35 paragraph 6, for that pupil in the school district or charter school and in
36 the technology assisted project-based instruction program shall not exceed
37 1.0. If the pupil is enrolled in a school district or a charter school and
38 also participates in the technology assisted project-based instruction
39 program and the sum of the daily membership or daily attendance for that
40 pupil is greater than 1.0, the sum shall be reduced to 1.0 and shall be
41 apportioned between the school district or charter school and the technology
42 assisted project-based instruction program based on the percentage of total
43 time that the pupil is enrolled or in attendance in the school district or
44 charter school and the technology assisted project-based instruction program.
45 The uniform system of financial records shall include guidelines for the
46 apportionment of the pupil enrollment and attendance as provided in this
47 subsection.

1 G. If at any time the superintendent of public instruction determines
2 that a school district that was previously admitted to the technology
3 assisted project-based instruction program is not meeting the criteria
4 prescribed in subsection A of this section, the superintendent of public
5 instruction may recommend that the state board of education replace that
6 school district with a school district of the superintendent of public
7 instruction's choice that meets the criteria prescribed in subsection A of
8 this section. The state board of education shall consider and take formal
9 action on the superintendent of public instruction's recommendation.

10 H. The enrollment of pupils in the technology assisted project-based
11 instruction program in each school that was previously approved to
12 participate in the program shall not grow more than one hundred per cent in
13 any fiscal year.

14 I. If the academic achievement of a pupil declines while the pupil is
15 participating in the technology assisted project-based instruction program,
16 the pupil's parents, the pupil's teachers and the principal or head teacher
17 of the school shall confer to evaluate whether the pupil should be allowed to
18 continue to participate in the program.

19 J. NOTWITHSTANDING SECTION 15-971 OR ANY OTHER LAW, THE DEPARTMENT OF
20 EDUCATION SHALL FUND ON AN EIGHTY-FIVE PER CENT PRO RATA BASIS ANY AVERAGE
21 DAILY MEMBERSHIP IN A SCHOOL DISTRICT'S OR CHARTER SCHOOL'S TECHNOLOGY
22 ASSISTED PROJECT-BASED INSTRUCTION PROGRAM THAT EXCEEDS THE SCHOOL DISTRICT'S
23 OR CHARTER SCHOOL'S AVERAGE DAILY MEMBERSHIP IN THE PROGRAM IN FISCAL YEAR
24 2007-2008.

25 Sec. 8. Section 15-901, Arizona Revised Statutes, is amended to read:
26 15-901. Definitions

27 A. In this title, unless the context otherwise requires:

28 1. "Average daily attendance" or "ADA" means actual average daily
29 attendance through the first one hundred days or two hundred days in session,
30 as applicable.

31 2. "Average daily membership" means the total enrollment of fractional
32 students and full-time students, minus withdrawals, of each school day
33 through the first one hundred days or two hundred days in session, as
34 applicable, for the current year. Withdrawals include students formally
35 withdrawn from schools and students absent for ten consecutive school days,
36 except for excused absences as identified by the department of education.
37 For computation purposes, the effective date of withdrawal shall be
38 retroactive to the last day of actual attendance of the student.

39 (a) "Fractional student" means:

40 (i) For common schools, until fiscal year 2001-2002, a preschool child
41 who is enrolled in a program for preschool children with disabilities of at
42 least three hundred sixty minutes each week or a kindergarten student at
43 least five years of age prior to January 1 of the school year and enrolled in
44 a school kindergarten program that meets at least three hundred forty-six
45 instructional hours during the minimum number of days required in a school
46 year as provided in section 15-341. In fiscal year 2001-2002, the
47 kindergarten program shall meet at least three hundred forty-eight hours. In
48 fiscal year 2002-2003, the kindergarten program shall meet at least three

1 hundred fifty hours. In fiscal year 2003-2004, the kindergarten program
2 shall meet at least three hundred fifty-two hours. In fiscal year 2004-2005,
3 the kindergarten program shall meet at least three hundred fifty-four hours.
4 In fiscal year 2005-2006 and each fiscal year thereafter, the kindergarten
5 program shall meet at least three hundred fifty-six hours. Lunch periods and
6 recess periods may not be included as part of the instructional hours unless
7 the child's individualized education program requires instruction during
8 those periods and the specific reasons for such instruction are fully
9 documented. In computing the average daily membership, preschool children
10 with disabilities and kindergarten students shall be counted as one-half of a
11 full-time student. For common schools, a part-time student is a student
12 enrolled for less than the total time for a full-time student as defined in
13 this section. A part-time common school student shall be counted as
14 one-fourth, one-half or three-fourths of a full-time student if the student
15 is enrolled in an instructional program that is at least one-fourth, one-half
16 or three-fourths of the time a full-time student is enrolled as defined in
17 subdivision (b) of this paragraph.

18 (ii) For high schools, a part-time student who is enrolled in less
19 than four subjects that count toward graduation as defined by the state board
20 of education in a recognized high school and who is taught in less than
21 twenty instructional hours per week prorated for any week with fewer than
22 five school days. A part-time high school student shall be counted as
23 one-fourth, one-half or three-fourths of a full-time student if the student
24 is enrolled in an instructional program that is at least one-fourth, one-half
25 or three-fourths of a full-time instructional program as defined in
26 subdivision (c) of this paragraph.

27 (b) "Full-time student" means:

28 (i) For common schools, a student who is at least six years of age
29 prior to January 1 of a school year, who has not graduated from the highest
30 grade taught in the school district and who is regularly enrolled in a course
31 of study required by the state board of education. Until fiscal year
32 2001-2002, first, second and third grade students, ungraded students at least
33 six, but under nine, years of age by September 1 or ungraded group B children
34 with disabilities who are at least five, but under six, years of age by
35 September 1 must be enrolled in an instructional program that meets for a
36 total of at least six hundred ninety-two hours during the minimum number of
37 days required in a school year as provided in section 15-341. In fiscal year
38 2001-2002, the program shall meet at least six hundred ninety-six hours. In
39 fiscal year 2002-2003, the program shall meet at least seven hundred hours.
40 In fiscal year 2003-2004, the program shall meet at least seven hundred four
41 hours. In fiscal year 2004-2005, the program shall meet at least seven
42 hundred eight hours. In fiscal year 2005-2006 and in each fiscal year
43 thereafter, the program shall meet at least seven hundred twelve hours.
44 Until fiscal year 2001-2002, fourth, fifth and sixth grade students or
45 ungraded students at least nine, but under twelve, years of age by September
46 1 must be enrolled in an instructional program that meets for a total of at
47 least eight hundred sixty-five hours during the minimum number of school days
48 required in a school year as provided in section 15-341. In fiscal year

2001-2002, the program shall meet at least eight hundred seventy hours. In fiscal year 2002-2003, the program shall meet at least eight hundred seventy-five hours. In fiscal year 2003-2004, the program shall meet at least eight hundred eighty hours. In fiscal year 2004-2005, the program shall meet at least eight hundred eighty-five hours. In fiscal year 2005-2006 and each fiscal year thereafter, the program shall meet at least eight hundred ninety hours. Until fiscal year 2001-2002, seventh and eighth grade students or ungraded students at least twelve, but under fourteen, years of age by September 1 must be enrolled in an instructional program that meets for a total of at least one thousand thirty-eight hours during the minimum number of days required in a school year as provided in section 15-341. In fiscal year 2001-2002, the program shall meet at least one thousand forty-four hours. In fiscal year 2002-2003, the program shall meet at least one thousand fifty hours. In fiscal year 2003-2004, the program shall meet at least one thousand fifty-six hours. In fiscal year 2004-2005, the program shall meet at least one thousand sixty-two hours. In fiscal year 2005-2006 and each fiscal year thereafter, the program shall meet at least one thousand sixty-eight hours. Lunch periods and recess periods may not be included as part of the instructional hours unless the student is a child with a disability and the child's individualized education program requires instruction during those periods and the specific reasons for such instruction are fully documented.

(ii) For high schools, except as provided in section 15-105, a student not graduated from the highest grade taught in the school district, or an ungraded student at least fourteen years of age by September 1, and enrolled in at least a full-time instructional program of subjects that count toward graduation as defined by the state board of education in a recognized high school. A full-time student shall not be counted more than once for computation of average daily membership.

(iii) For homebound or hospitalized, a student receiving at least four hours of instruction per week.

(c) "Full-time instructional program" means:

(i) Through fiscal year 2000-2001, at least four subjects, each of which, if taught each school day for the minimum number of days required in a school year, would meet a minimum of one hundred twenty hours a year, or the equivalent, or one or more subjects taught in amounts of time totaling at least twenty hours per week prorated for any week with fewer than five school days.

(ii) For fiscal year 2001-2002, an instructional program that meets at least a total of seven hundred four hours during the minimum number of days required and includes at least four subjects each of which, if taught each school day for the minimum number of days required in a school year, would meet a minimum of one hundred twenty-two hours a year, or the equivalent, or one or more subjects taught in amounts of time totaling at least twenty hours per week prorated for any week with fewer than five school days.

(iii) For fiscal year 2002-2003, an instructional program that meets at least a total of seven hundred eight hours during the minimum number of days required and includes at least four subjects each of which, if taught

1 each school day for the minimum number of days required in a school year,
2 would meet a minimum of one hundred twenty-two hours a year, or the
3 equivalent, or one or more subjects taught in amounts of time totaling at
4 least twenty hours per week prorated for any week with fewer than five school
5 days.

6 (iv) For fiscal year 2003-2004, an instructional program that meets at
7 least a total of seven hundred twelve hours during the minimum number of days
8 required and includes at least four subjects each of which, if taught each
9 school day for the minimum number of days required in a school year, would
10 meet a minimum of one hundred twenty-three hours a year, or the equivalent,
11 or one or more subjects taught in amounts of time totaling at least twenty
12 hours per week prorated for any week with fewer than five school days.

13 (v) For fiscal year 2004-2005, an instructional program that meets at
14 least a total of seven hundred sixteen hours during the minimum number of
15 days required and includes at least four subjects each of which, if taught
16 each school day for the minimum number of days required in a school year,
17 would meet a minimum of one hundred twenty-three hours a year, or the
18 equivalent, or one or more subjects taught in amounts of time totaling at
19 least twenty hours per week prorated for any week with fewer than five school
20 days.

21 (vi) For fiscal year 2005-2006 and each fiscal year thereafter, an
22 instructional program that meets at least a total of seven hundred twenty
23 hours during the minimum number of days required and includes at least four
24 subjects each of which, if taught each school day for the minimum number of
25 days required in a school year, would meet a minimum of one hundred
26 twenty-three hours a year, or the equivalent, or one or more subjects taught
27 in amounts of time totaling at least twenty hours per week prorated for any
28 week with fewer than five school days.

29 3. "Budget year" means the fiscal year for which the school district
30 is budgeting and which immediately follows the current year.

31 4. "Common school district" means a political subdivision of this
32 state offering instruction to students in programs for preschool children
33 with disabilities and kindergarten programs and grades one through eight.

34 5. "Current year" means the fiscal year in which a school district is
35 operating.

36 6. "Daily attendance" means:

37 (a) For common schools, days in which a pupil:

38 (i) Of a kindergarten program or ungraded, but not group B children
39 with disabilities, and at least five, but under six, years of age by
40 September 1 attends at least three-quarters of the instructional time
41 scheduled for the day. If the total instruction time scheduled for the year
42 is at least three hundred forty-six hours but is less than six hundred
43 ninety-two hours such attendance shall be counted as one-half day of
44 attendance. If the instructional time scheduled for the year is at least six
45 hundred ninety-two hours, "daily attendance" means days in which a pupil
46 attends at least one-half of the instructional time scheduled for the day.
47 Such attendance shall be counted as one-half day of attendance.

1 (ii) Of the first, second or third grades, ungraded and at least six,
2 but under nine, years of age by September 1 or ungraded group B children with
3 disabilities and at least five, but under six, years of age by September 1
4 attends more than three-quarters of the instructional time scheduled for the
5 day.

6 (iii) Of the fourth, fifth or sixth grades or ungraded and at least
7 nine, but under twelve, years of age by September 1 attends more than
8 three-quarters of the instructional time scheduled for the day, except as
9 provided in section 15-797.

10 (iv) Of the seventh or eighth grades or ungraded and at least twelve,
11 but under fourteen, years of age by September 1 attends more than
12 three-quarters of the instructional time scheduled for the day, except as
13 provided in section 15-797.

14 (b) For common schools, the attendance of a pupil at three-quarters or
15 less of the instructional time scheduled for the day shall be counted as
16 follows, except as provided in section 15-797 and except that attendance for
17 a fractional student shall not exceed the pupil's fractional membership:

18 (i) If attendance for all pupils in the school is based on quarter
19 days, the attendance of a pupil shall be counted as one-fourth of a day's
20 attendance for each one-fourth of full-time instructional time attended.

21 (ii) If attendance for all pupils in the school is based on half days,
22 the attendance of at least three-quarters of the instructional time scheduled
23 for the day shall be counted as a full day's attendance and attendance at a
24 minimum of one-half but less than three-quarters of the instructional time
25 scheduled for the day equals one-half day of attendance.

26 (c) For common schools, the attendance of a preschool child with
27 disabilities shall be counted as one-fourth day's attendance for each
28 thirty-six minutes of attendance not including lunch periods and recess
29 periods, except as provided in paragraph 2, subdivision (a), item (i) of this
30 subsection for children with disabilities up to a maximum of three hundred
31 sixty minutes each week.

32 (d) For high schools or ungraded schools in which the pupil is at
33 least fourteen years of age by September 1, the attendance of a pupil shall
34 not be counted as a full day unless the pupil is actually and physically in
35 attendance and enrolled in and carrying four subjects, each of which, if
36 taught each school day for the minimum number of days required in a school
37 year, would meet a minimum of one hundred twenty hours a year, or the
38 equivalent, that count toward graduation in a recognized high school except
39 as provided in section 15-797 and subdivision (e) of this paragraph.
40 Attendance of a pupil carrying less than the load prescribed shall be
41 prorated.

42 (e) For high schools or ungraded schools in which the pupil is at
43 least fourteen years of age by September 1, the attendance of a pupil may be
44 counted as one-fourth of a day's attendance for each sixty minutes of
45 instructional time in a subject that counts toward graduation, except that
46 attendance for a pupil shall not exceed the pupil's full or fractional
47 membership.

1 (f) For homebound or hospitalized, a full day of attendance may be
2 counted for each day during a week in which the student receives at least
3 four hours of instruction.

4 (g) For school districts which maintain school for an approved
5 year-round school year operation, attendance shall be based on a computation,
6 as prescribed by the superintendent of public instruction, of the one hundred
7 eighty days' equivalency or two hundred days' equivalency, as applicable, of
8 instructional time as approved by the superintendent of public instruction
9 during which each pupil is enrolled.

10 7. "Daily route mileage" means the sum of:

11 (a) The total number of miles driven daily by all buses of a school
12 district while transporting eligible students from their residence to the
13 school of attendance and from the school of attendance to their residence on
14 scheduled routes approved by the superintendent of public instruction.

15 (b) The total number of miles driven daily on routes approved by the
16 superintendent of public instruction for which a private party, a political
17 subdivision or a common or a contract carrier is reimbursed for bringing an
18 eligible student from the place of his residence to a school transportation
19 pickup point or to the school of attendance and from the school
20 transportation scheduled return point or from the school of attendance to his
21 residence. Daily route mileage includes the total number of miles necessary
22 to drive to transport eligible students from and to their residence as
23 provided in this paragraph.

24 8. "District support level" means the base support level plus the
25 transportation support level.

26 9. "Eligible students" means:

27 (a) Students who are transported by or for a school district and who
28 qualify as full-time students or fractional students, except students for
29 whom transportation is paid by another school district or a county school
30 superintendent, and:

31 (i) For common school students, whose place of actual residence within
32 the school district is more than one mile from the school facility of
33 attendance or students who are admitted pursuant to section 15-816.01 and who
34 meet the economic eligibility requirements established under the national
35 school lunch and child nutrition acts (42 United States Code sections 1751
36 through 1785) for free or reduced price lunches and whose actual place of
37 residence outside the school district boundaries is more than one mile from
38 the school facility of attendance.

39 (ii) For high school students, whose place of actual residence within
40 the school district is more than one and one-half miles from the school
41 facility of attendance or students who are admitted pursuant to section
42 15-816.01 and who meet the economic eligibility requirements established
43 under the national school lunch and child nutrition acts (42 United States
44 Code sections 1751 through 1785) for free or reduced price lunches and whose
45 actual place of residence outside the school district boundaries is more than
46 one and one-half miles from the school facility of attendance.

1 (b) Kindergarten students, for purposes of computing the number of
2 eligible students under subdivision (a), item (i) of this paragraph, shall be
3 counted as full-time students, notwithstanding any other provision of law.

4 (c) Children with disabilities, as defined by section 15-761, who are
5 transported by or for the school district or who are admitted pursuant to
6 chapter 8, article 1.1 of this title and who qualify as full-time students or
7 fractional students regardless of location or residence within the school
8 district or children with disabilities whose transportation is required by
9 the pupil's individualized education program.

10 (d) Students whose residence is outside the school district and who
11 are transported within the school district on the same basis as students who
12 reside in the school district.

13 10. "Enrolled" or "enrollment" means when a pupil is currently
14 registered in the school district.

15 11. "GDP price deflator" means the average of the four implicit price
16 deflators for the gross domestic product reported by the United States
17 department of commerce for the four quarters of the calendar year.

18 12. "High school district" means a political subdivision of this state
19 offering instruction to students for grades nine through twelve or that
20 portion of the budget of a common school district which is allocated to
21 teaching high school subjects with permission of the state board of
22 education.

23 13. "Revenue control limit" means the base revenue control limit plus
24 the transportation revenue control limit.

25 14. "Student count" means average daily membership as prescribed in
26 this subsection for the fiscal year prior to the current year, except that
27 for the purpose of budget preparation student count means average daily
28 membership as prescribed in this subsection for the current year.

29 15. "Submit electronically" means submitted in a format and in a manner
30 prescribed by the department of education.

31 16. "Total bus mileage" means the total number of miles driven by all
32 buses of a school district during the school year.

33 17. "Total students transported" means all eligible students
34 transported from their place of residence to a school transportation pickup
35 point or to the school of attendance and from the school of attendance or
36 from the school transportation scheduled return point to their place of
37 residence.

38 18. "Unified school district" means a political subdivision of the
39 state offering instruction to students in programs for preschool children
40 with disabilities and kindergarten programs and grades one through twelve.

41 B. In this title, unless the context otherwise requires:

42 1. "Base" means the revenue level per student count specified by the
43 legislature.

44 2. "Base level" means:

45 ~~(a) For fiscal year 2006-2007, three thousand one hundred thirty three~~
46 ~~dollars fifty-three cents.~~

1 ~~(b)~~ (a) For fiscal year 2007-2008, three thousand two hundred
2 twenty-six dollars eighty-eight cents.

3 (b) FOR FISCAL YEAR 2008-2009, THREE THOUSAND TWO HUNDRED NINETY-ONE
4 DOLLARS FORTY-TWO CENTS.

5 3. "Base revenue control limit" means the base revenue control limit
6 computed as provided in section 15-944.

7 4. "Base support level" means the base support level as provided in
8 section 15-943.

9 5. "Certified teacher" means a person who is certified as a teacher
10 pursuant to the rules adopted by the state board of education, who renders
11 direct and personal services to school children in the form of instruction
12 related to the school district's educational course of study and who is paid
13 from the maintenance and operation section of the budget.

14 6. "ED, MIMR, SLD, SLI and OHI" means programs for children with
15 emotional disabilities, mild mental retardation, a specific learning
16 disability, a speech/language impairment and other health impairments.

17 7. "ED-P" means programs for children with emotional disabilities who
18 are enrolled in private special education programs as prescribed in section
19 15-765, subsection D, paragraph 1 or in an intensive school district program
20 as provided in section 15-765, subsection D, paragraph 2.

21 8. "ELL" means English learners who do not speak English or whose
22 native language is not English, who are not currently able to perform
23 ordinary classroom work in English and who are enrolled in an English
24 language education program pursuant to sections 15-751, 15-752 and 15-753.

25 9. "Full-time equivalent certified teacher" or "FTE certified teacher"
26 means for a certified teacher the following:

27 (a) If employed full time as defined in section 15-501, 1.00.

28 (b) If employed less than full time, multiply 1.00 by the percentage
29 of a full school day, or its equivalent, or a full class load, or its
30 equivalent, for which the teacher is employed as determined by the governing
31 board.

32 10. "Group A" means educational programs for career exploration, a
33 specific learning disability, an emotional disability, mild mental
34 retardation, remedial education, a speech/language impairment, homebound,
35 bilingual, preschool moderate delay, preschool speech/language delay, other
36 health impairments and gifted pupils.

37 11. "Group B" means educational improvements for pupils in kindergarten
38 programs and grades one through three, educational programs for autism, a
39 hearing impairment, moderate mental retardation, multiple disabilities,
40 multiple disabilities with severe sensory impairment, orthopedic impairments,
41 preschool severe delay, severe mental retardation and emotional disabilities
42 for school age pupils enrolled in private special education programs or in
43 school district programs for children with severe disabilities or visual
44 impairment and English learners enrolled in a program to promote English
45 language proficiency pursuant to section 15-752.

12. "HI" means programs for pupils with hearing impairment.

13. "Homebound" or "hospitalized" means a pupil who is capable of profiting from academic instruction but is unable to attend school due to illness, disease, accident or other health conditions, who has been examined by a competent medical doctor and who is certified by that doctor as being unable to attend regular classes for a period of not less than three school months or a pupil who is capable of profiting from academic instruction but is unable to attend school regularly due to chronic or acute health problems, who has been examined by a competent medical doctor and who is certified by that doctor as being unable to attend regular classes for intermittent periods of time totaling three school months during a school year. The medical certification shall state the general medical condition, such as illness, disease or chronic health condition, that is the reason that the pupil is unable to attend school. Homebound or hospitalized includes a student who is unable to attend school for a period of less than three months due to a pregnancy if a competent medical doctor, after an examination, certifies that the student is unable to attend regular classes due to risk to the pregnancy or to the student's health.

14. "K" means kindergarten programs.

15. "K-3" means kindergarten programs and grades one through three.

16. "MD-R, A-R and SMR-R" means resource programs for pupils with multiple disabilities, autism and severe mental retardation.

17. "MD-SC, A-SC and SMR-SC" means self-contained programs for pupils with multiple disabilities, autism and severe mental retardation.

18. "MDSSI" means a program for pupils with multiple disabilities with severe sensory impairment.

19. "MOMR" means programs for pupils with moderate mental retardation.

20. "OI-R" means a resource program for pupils with orthopedic impairments.

21. "OI-SC" means a self-contained program for pupils with orthopedic impairments.

22. "PSD" means preschool programs for children with disabilities as provided in section 15-771.

23. "P-SD" means programs for children who meet the definition of preschool severe delay as provided in section 15-771.

24. "Qualifying tax rate" means the qualifying tax rate specified in section 15-971 applied to the assessed valuation used for primary property taxes.

25. "Small isolated school district" means a school district which meets all of the following:

(a) Has a student count of fewer than six hundred in kindergarten programs and grades one through eight or grades nine through twelve.

(b) Contains no school which is fewer than thirty miles by the most reasonable route from another school, or, if road conditions and terrain make the driving slow or hazardous, fifteen miles from another school which teaches one or more of the same grades and is operated by another school district in this state.

1 (c) Is designated as a small isolated school district by the
2 superintendent of public instruction.

3 26. "Small school district" means a school district which meets all of
4 the following:

5 (a) Has a student count of fewer than six hundred in kindergarten
6 programs and grades one through eight or grades nine through twelve.

7 (b) Contains at least one school which is fewer than thirty miles by
8 the most reasonable route from another school which teaches one or more of
9 the same grades and is operated by another school district in this state.

10 (c) Is designated as a small school district by the superintendent of
11 public instruction.

12 27. "Transportation revenue control limit" means the transportation
13 revenue control limit computed as prescribed in section 15-946.

14 28. "Transportation support level" means the support level for pupil
15 transportation operating expenses as provided in section 15-945.

16 29. "VI" means programs for pupils with visual impairments.

17 30. "Voc. Ed." means career and technical education and vocational
18 education programs, as defined in section 15-781.

19 Sec. 9. Section 15-901.02, Arizona Revised Statutes, is amended to
20 read:

21 15-901.02. Voluntary full-day kindergarten instruction

22 A school district or charter school may offer full-day kindergarten
23 instruction to pupils who meet the enrollment requirements for kindergarten
24 programs. Parents of pupils who meet the enrollment requirements for
25 voluntary kindergarten programs in a school district or charter school that
26 offers full-day kindergarten instruction may choose either half-day
27 kindergarten instruction or full-day kindergarten instruction. If a ~~school-~~
28 ~~district or~~ charter school chooses to offer voluntary full-day kindergarten
29 instruction, any necessary capital monies needed to implement voluntary
30 full-day kindergarten instruction shall be provided by the ~~school-district or~~
31 charter school.

32 Sec. 10. Section 15-945, Arizona Revised Statutes, is amended to read:

33 15-945. Transportation support level

34 A. The support level for to and from school for each school district
35 for the current year shall be computed as follows:

36 1. Determine the approved daily route mileage of the school district
37 for the fiscal year prior to the current year.

38 2. Multiply the figure obtained in paragraph 1 of this subsection by
39 one hundred eighty.

40 3. Determine the number of eligible students transported in the fiscal
41 year prior to the current year.

42 4. Divide the amount determined in paragraph 1 of this subsection by
43 the amount determined in paragraph 3 of this subsection to determine the
44 approved daily route mileage per eligible student transported.

45 5. Determine the classification in column 1 of this paragraph for the
46 quotient determined in paragraph 4 of this subsection. Multiply the product
47 obtained in paragraph 2 of this subsection by the corresponding state support
48 level for each route mile as provided in column 2 of this paragraph.

<u>Column 1</u>	<u>Column 2</u>
Approved Daily Route	State Support Level per
Mileage per Eligible	Route Mile for
<u>Student Transported</u>	Fiscal Year 2007-2008 2008-2009
0.5 or less	\$2.23 \$2.27
More than 0.5 through 1.0	\$1.81 \$1.85
More than 1.0	\$2.23 \$2.27

6. Add the amount spent during the prior fiscal year for bus tokens and bus passes for students who qualify as eligible students as defined in section 15-901.

B. The support level for academic education, career and technical education, vocational education and athletic trips for each school district for the current year is computed as follows:

1. Determine the classification in column 1 of paragraph 2 of this subsection for the quotient determined in subsection A, paragraph 4 of this section.

2. Multiply the product obtained in subsection A, paragraph 5 of this section by the corresponding state support level for academic education, career and technical education, vocational education and athletic trips as provided in column 2, 3 or 4 of this paragraph, whichever is appropriate for the type of district.

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>
Approved Daily Route			
Mileage per Eligible	District Type	District Type	District Type
<u>Student Transported</u>	<u>02 or 03</u>	<u>04</u>	<u>05</u>
0.5 or less	0.15	0.10	0.25
More than 0.5 through 1.0	0.15	0.10	0.25
More than 1.0	0.18	0.12	0.30

For the purposes of this paragraph, "district type 02" means a unified school district or an accommodation school that offers instruction in grades nine through twelve, "district type 03" means a common school district not within a high school district, "district type 04" means a common school district within a high school district or an accommodation school that does not offer instruction in grades nine through twelve and "district type 05" means a high school district.

C. The support level for extended school year services for pupils with disabilities is computed as follows:

1. Determine the sum of the following:

(a) The total number of miles driven by all buses of a school district while transporting eligible pupils with disabilities on scheduled routes from their residence to the school of attendance and from the school of attendance to their residence on routes for extended school year services in accordance with section 15-881.

(b) The total number of miles driven on routes approved by the superintendent of public instruction for which a private party, a political subdivision or a common or a contract carrier is reimbursed for bringing an eligible pupil with a disability from the place of the pupil's residence to a school transportation pickup point or to the school facility of attendance and from the school transportation scheduled return point or from the school

1 facility to the pupil's residence for extended school year services in
2 accordance with section 15-881.

3 2. Multiply the sum determined in paragraph 1 of this subsection by
4 the state support level for the district determined as provided in subsection
5 A, paragraph 5 of this section.

6 D. The transportation support level for each school district for the
7 current year is the sum of the support level for to and from school as
8 determined in subsection A of this section, the support level for academic
9 education, career and technical education, vocational education and athletic
10 trips as determined in subsection B of this section and the support level for
11 extended school year services for pupils with disabilities as determined in
12 subsection C of this section.

13 E. The state support level for each approved route mile, as provided
14 in subsection A, paragraph 5 of this section, shall be adjusted by the growth
15 rate prescribed by law, subject to appropriation.

16 Sec. 11. Section 15-977, Arizona Revised Statutes, is amended to read:

17 15-977. Classroom site fund; definitions

18 A. The classroom site fund is established consisting of monies
19 transferred to the fund pursuant to section 37-521, subsection B and section
20 42-5029, subsection E, paragraph 10. The department of education shall
21 administer the fund. School districts and charter schools may not supplant
22 existing school site funding with revenues from the fund. All monies
23 distributed from the fund are intended for use at the school site. Each
24 school district or charter school shall allocate forty per cent of the monies
25 for teacher compensation increases based on performance and employment
26 related expenses, twenty per cent of the monies for teacher base salary
27 increases and employment related expenses and forty per cent of the monies
28 for maintenance and operation purposes as prescribed in subsection H of this
29 section. Teacher compensation increases based on performance or teacher base
30 salary increases distributed pursuant to this subsection shall supplement,
31 and not supplant, teacher compensation monies from any other sources. The
32 school district or charter school shall notify each school principal of the
33 amount available to the school by April 15 OF EACH YEAR. The district or
34 charter school shall request from the school's principal each school's
35 priority for the allocation of the funds available to the school for each
36 program listed under subsection H of this section. The amount budgeted by
37 the school district or charter school pursuant to this section shall not be
38 included in the allowable budget balance carryforward calculated pursuant to
39 section 15-943.01.

40 B. A school district governing board must adopt a performance based
41 compensation system at a public hearing to allocate funding from the
42 classroom site fund pursuant to subsection A of this section.

43 C. A school district governing board shall vote on a performance based
44 compensation system that includes the following elements:

45 1. School district performance and school performance.

46 2. Measures of academic progress toward the academic standards adopted
47 by the state board of education.

- 1 3. Other measures of academic progress.
- 2 4. Dropout or graduation rates.
- 3 5. Attendance rates.
- 4 6. Ratings of school quality by parents.
- 5 7. Ratings of school quality by students.
- 6 8. The input of teachers and administrators.
- 7 9. Approval of the performance based compensation system based on an
- 8 affirmative vote of at least seventy per cent of the teachers eligible to
- 9 participate in the performance based compensation system.
- 10 10. An appeals process for teachers who have been denied performance
- 11 based compensation.
- 12 11. Regular evaluation for effectiveness.
- 13 D. A performance based compensation system shall include teacher
- 14 professional development programs that are aligned with the elements of the
- 15 performance based compensation system.
- 16 E. A school district governing board may modify the elements contained
- 17 in subsection C of this section and consider additional elements when
- 18 adopting a performance based compensation system. A school district
- 19 governing board shall adopt any modifications or additional elements and
- 20 specify the criteria used at a public hearing.
- 21 F. Until December 31, 2009, each school district shall develop an
- 22 assessment plan for its performance based compensation system and submit the
- 23 plan to the department of education by December 31 of each year. A copy of
- 24 the performance based compensation system and assessment plan adopted by the
- 25 school district governing board shall be included in the report submitted to
- 26 the department of education.
- 27 G. Monies in the fund are continuously appropriated, are exempt from
- 28 the provisions of section 35-190 relating to lapsing of appropriations and
- 29 shall be distributed as follows:
- 30 1. By March 30 of each year the staff of the joint legislative budget
- 31 committee shall determine a per pupil amount from the fund for the budget
- 32 year using the estimated statewide weighted count for the current year
- 33 pursuant to section 15-943, paragraph 2, subdivision (a) and based on
- 34 estimated available resources in the classroom site fund for the budget year.
- 35 2. The allocation to each charter school and school district for a
- 36 fiscal year shall equal the per pupil amount established in paragraph 1 of
- 37 this subsection for the fiscal year multiplied by the weighted student count
- 38 for the school district or charter school for the fiscal year pursuant to
- 39 section 15-943, paragraph 2, subdivision (a). For the purposes of this
- 40 paragraph, the weighted student count for a school district that serves as
- 41 the district of attendance for nonresident pupils shall be increased to
- 42 include nonresident pupils who attend school in the school district.
- 43 3. FOR EACH FISCAL YEAR IN WHICH THE LEGISLATURE APPROPRIATES
- 44 SUFFICIENT MONIES FOR TEACHER PERFORMANCE PAY PURSUANT TO THIS SECTION, THE
- 45 AMOUNT APPROPRIATED SHALL EQUAL THE PRODUCT OF THE BASE LEVEL PRESCRIBED IN
- 46 SECTION 15-901 MULTIPLIED BY THE PRIOR YEAR STATEWIDE WEIGHTED STUDENT COUNT
- 47 MULTIPLIED BY THE FOLLOWING PERCENTAGES:

- (a) FOR STAGE ONE, ONE PER CENT.
- (b) FOR STAGE TWO, TWO PER CENT.
- (c) FOR STAGE THREE, THREE PER CENT.
- (d) FOR STAGE FOUR, FOUR PER CENT.
- (e) FOR STAGE FIVE, FIVE PER CENT.
- (f) FOR STAGE SIX, FIVE AND ONE-HALF PER CENT BY JUNE 30, 2018.

H. Monies distributed from the classroom site fund shall be spent for the following maintenance and operation purposes:

- 1. Class size reduction.
- 2. Teacher compensation increases.
- 3. AIMS intervention programs.
- 4. Teacher development.
- 5. Dropout prevention programs.
- 6. Teacher liability insurance premiums.

I. The district governing board or charter school shall allocate the classroom site fund monies to include, wherever possible, the priorities identified by the principals of the schools while assuring that the funds maximize classroom opportunities and conform to the authorized expenditures identified in subsection A of this section.

J. School districts and charter schools that receive monies from the classroom site fund shall submit a report by November 15 of each year to the superintendent of public instruction on a per school basis that provides an accounting of the expenditures of monies distributed from the fund during the previous fiscal year and a summary of the results of district and school programs funded with monies distributed from the fund. The department of education in conjunction with the auditor general shall prescribe the format of the report under this subsection.

K. School districts and charter schools that receive monies from the classroom site fund shall receive these monies monthly in an amount not to exceed one-twelfth of the monies estimated pursuant to subsection G of this section, except that if there are insufficient monies in the fund that month to make payments, the distribution for that month shall be prorated for each school district or charter school. The department of education may make an additional payment in the current month for any prior month or months in which school districts or charter schools received a prorated payment if there are sufficient monies in the fund that month for the additional payments. The state is not required to make payments to a school district or charter school classroom site fund if the state classroom site fund revenue collections are insufficient to meet the estimated allocations to school districts and charter schools pursuant to subsection G of this section.

L. The state education system for committed youth shall receive monies from the classroom site fund in the same manner as school districts and charter schools. The Arizona state schools for the deaf and the blind shall receive monies from the classroom site fund in an amount that corresponds to the weighted student count for the current year pursuant to section 15-943, paragraph 2, subdivision (b) for each pupil enrolled in the Arizona state schools for the deaf and the blind. Except as otherwise provided in this subsection, the Arizona state schools for the deaf and the blind and the

1 state education system for committed youth are subject to this section in the
2 same manner as school districts and charter schools.

3 M. Each school district and charter school, including school districts
4 that unify pursuant to section 15-448 or consolidate pursuant to section
5 15-459, shall establish a local level classroom site fund to receive
6 allocations from the state level classroom site fund. The local level
7 classroom site fund shall be a budgetary controlled account. Interest
8 charges for any registered warrants for the local level classroom site fund
9 shall be a charge against the local level classroom site fund. Interest
10 earned on monies in the local level classroom site fund shall be added to the
11 local level classroom site fund as provided in section 15-978. In no event
12 shall this state be required to make payments to a school district or charter
13 school local level classroom site fund that are in addition to monies
14 transferred to the state level classroom site fund pursuant to section
15 37-521, subsection B and section 42-5029, subsection E, paragraph 10.

16 N. Monies distributed from the classroom site fund for class size
17 reduction, AIMS intervention and dropout prevention programs shall only be
18 used for instructional purposes in the instruction function as defined in the
19 uniform system of financial records, except that monies shall not be used for
20 school sponsored athletics.

21 O. IF A SCHOOL DISTRICT IS APPROVED FOR A CAREER LADDER PROGRAM
22 PURSUANT TO SECTION 15-918.04 OR AN OPTIONAL PERFORMANCE INCENTIVE PROGRAM
23 PURSUANT TO SECTION 15-919, THE SCHOOL DISTRICT MAY CONTINUE TO PARTICIPATE
24 IN THOSE PROGRAMS OR MAY CHOOSE TO RECEIVE ADDITIONAL TEACHER PERFORMANCE PAY
25 MONIES PURSUANT TO SUBSECTION G, PARAGRAPH 3 OF THIS SECTION. IF A SCHOOL
26 DISTRICT CHOOSES TO RECEIVE MONIES PURSUANT TO SUBSECTION G, PARAGRAPH 3 OF
27 THIS SECTION, THE SCHOOL DISTRICT SHALL REDUCE THE AMOUNT OF FUNDING FOR ITS
28 CAREER LADDER PROGRAM OR OPTIONAL PERFORMANCE INCENTIVE PROGRAM, AS
29 APPLICABLE, IN AN AMOUNT THAT IS EQUAL TO THE AMOUNT APPROPRIATED BY THE
30 LEGISLATURE FOR THE APPLICABLE STAGE SPECIFIED IN SUBSECTION G, PARAGRAPH 3
31 OF THIS SECTION. IF A SCHOOL DISTRICT IS APPROVED FOR A CAREER LADDER
32 PROGRAM PURSUANT TO SECTION 15-918.04 OR AN OPTIONAL PERFORMANCE INCENTIVE
33 PROGRAM PURSUANT TO SECTION 15-919 AND THAT SCHOOL DISTRICT CHOOSES TO
34 RECEIVE MONIES FOR STAGE ONE PURSUANT TO SUBSECTION G, PARAGRAPH 3 OF THIS
35 SECTION, THE SCHOOL DISTRICT SHALL CONTINUE TO RECEIVE FUNDING THROUGH THE
36 REMAINING STAGES SPECIFIED IN SUBSECTION G, PARAGRAPH 3 OF THIS SECTION,
37 SUBJECT TO LEGISLATIVE APPROPRIATION. A SCHOOL DISTRICT THAT IS SUBJECT TO
38 THIS SUBSECTION SHALL NOTIFY THE DEPARTMENT OF EDUCATION OF THE SCHOOL
39 DISTRICT'S INTENTION TO RECEIVE MONIES PURSUANT TO SUBSECTION G, PARAGRAPH 3
40 OF THIS SECTION NO LATER THAN JULY 1 OF THE FISCAL YEAR THAT STAGE ONE MONIES
41 ARE APPROPRIATED.

42 ~~Q.~~ P. For the purposes of this section:

43 1. "AIMS intervention" means summer programs, after school programs,
44 before school programs or tutoring programs that are specifically designed to
45 ensure that pupils meet the Arizona academic standards as measured by the
46 Arizona instrument to measure standards test prescribed by section 15-741.

1 2. "Class size reduction" means any maintenance and operations
2 expenditure that is designed to reduce the ratio of pupils to classroom
3 teachers, including the use of persons who serve as aides to classroom
4 teachers.

5 Sec. 12. Title 15, chapter 13, article 5, Arizona Revised Statutes, is
6 amended by adding section 15-1682.03, to read:

7 15-1682.03. University capital improvement lease-to-own and
8 bond fund; lease-to-own and bond capital
9 improvement agreements

10 A. THE UNIVERSITY CAPITAL IMPROVEMENT LEASE-TO-OWN AND BOND FUND IS
11 ESTABLISHED CONSISTING OF THE MONIES PROVIDED BY THE ARIZONA BOARD OF REGENTS
12 PURSUANT TO THIS SECTION, MONIES DEPOSITED PURSUANT TO SECTION 5-522 AND
13 MONIES APPROPRIATED BY THE LEGISLATURE. THE BOARD SHALL ADMINISTER THE FUND.
14 ON NOTICE FROM THE BOARD, THE STATE TREASURER SHALL INVEST AND DIVEST MONIES
15 IN THE FUND AS PROVIDED BY SECTION 35-313, AND MONIES EARNED FROM INVESTMENT
16 SHALL BE CREDITED TO THE FUND. MONIES IN THE FUND ARE EXEMPT FROM THE
17 PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

18 B. THROUGH REVENUES OF THE STATE UNIVERSITY SYSTEM, THE BOARD SHALL
19 ANNUALLY PROVIDE MONIES TO THE FUND OF AT LEAST TWENTY PER CENT OF THE
20 AGGREGATE ANNUAL PAYMENTS OF LEASE-TO-OWN AND BOND AGREEMENTS ENTERED INTO BY
21 THE BOARD PURSUANT TO THIS SECTION.

22 C. THE BOARD SHALL DISTRIBUTE MONIES IN THE FUND TO MAKE PAYMENTS
23 PURSUANT TO LEASE-TO-OWN AND BOND AGREEMENTS ENTERED INTO BY THE BOARD
24 PURSUANT TO THIS SECTION. THE BOARD MAY ENTER INTO LEASE-TO-OWN AND BOND
25 AGREEMENTS FOR THE PURPOSES OF BUILDING RENEWAL PROJECTS AND NEW FACILITIES.
26 NEW LEASE-TO-OWN AND BOND AGREEMENTS ENTERED INTO PURSUANT TO THIS SECTION
27 SHALL NOT EXCEED TWO HUNDRED EIGHTY-FIVE MILLION DOLLARS IN FISCAL YEAR
28 2008-2009 AND FIVE HUNDRED MILLION DOLLARS IN FISCAL YEAR 2009-2010. THE
29 BOARD MAY ENTER INTO LEASE-TO-OWN AND BOND TRANSACTIONS UP TO A MAXIMUM OF
30 ONE BILLION DOLLARS.

31 Sec. 13. Section 15-1851, Arizona Revised Statutes, is amended to
32 read:

33 15-1851. Commission for postsecondary education; purpose;
34 report; members; terms; powers and duties;
35 compensation; quorum; personal liability; definition

36 ~~A. The commission for postsecondary education is established as the~~
37 ~~postsecondary review entity for this state for the conduct, supervision and~~
38 ~~coordination of the review of postsecondary education institutions in order~~
39 ~~to determine the eligibility of those institutions for student financial aid~~
40 ~~monies pursuant to the provisions of part H, subpart one of the higher~~
41 ~~education amendments of 1992 (P.L. 102-325; 106 Stat. 638; 20 United States~~
42 ~~Code section 1099a). The commission shall accomplish the purpose of this~~
43 ~~subsection through the accumulation of information, the performance of~~
44 ~~studies and the determination of compliance by the postsecondary education~~
45 ~~institutions with the provisions of part H, subpart one of the higher~~
46 ~~education amendments of 1992. The review authority of the commission shall~~
47 ~~be limited to circumstances where the United States department of education~~
48 ~~has referred an institution to the commission for review or where the United~~

~~States department of education has approved the review of an institution in accordance with criteria established by the United States department of education. The commission shall keep records of its activities, and the commission shall provide information when requested to the United States secretary of education for financial and compliance audits and for institution evaluation. The scope of authority of the commission acting as a postsecondary review entity to review any educational institution is limited specifically to compliance by the institution with title IV, part H, subpart one of the higher education amendments of 1992. Any review of any institution conducted by the commission shall be performed in the context of the institution's individual mission and purposes. The commission shall not exercise planning, policy, coordinating, supervisory, budgeting or administrative powers over any postsecondary institution in this state.~~

~~B.~~ A. The commission **FOR POSTSECONDARY EDUCATION IS ESTABLISHED AND** shall ~~also~~ administer the applicable programs identified under section 1203 of the higher education act amendments of 1998 (P.L. 105-244), including the leveraging educational assistance partnership program, the federal family education loan program and the Paul Douglas teacher scholarships program, and shall supervise the state guarantee agency under the higher education act amendments of 1998.

~~C.~~ B. In addition to the responsibilities prescribed in ~~subsections A and B~~ **SUBSECTION A** of this section, the commission shall:

1. Provide a forum to public and private postsecondary education institutions for discussion of issues of mutual interest, including the following:

(a) The postsecondary needs of unserved and underserved individuals in this state.

(b) The resources of public and private institutions, organizations and agencies that are located in this state and that are capable of providing postsecondary education opportunities.

(c) Enrollment demand and public policy options to meet statewide needs for postsecondary education services.

(d) Cooperative comprehensive instructional and capital planning.

2. Provide reports pursuant to this subsection on discussions of issues of mutual interest.

3. Coordinate and promote collaborative studies on issues of mutual interest to public and private postsecondary education institutions.

4. Compile and disseminate information to the public regarding postsecondary education opportunities in this state.

5. Prepare an annual report that summarizes the results of the commission's activities prescribed in this section and section 15-1852. The annual report shall be submitted to the speaker of the house of representatives, the president of the senate, the governor and the Arizona state library, archives and public records by December 28.

~~D.~~ C. The commission consists of the executive director of the Arizona board of regents, the executive director of the state board for private postsecondary education and the following additional members who shall be appointed by the governor pursuant to section 38-211:

1 1. Two members who hold senior executive or managerial positions in a
2 university under the jurisdiction of the Arizona board of regents.

3 2. Two members who hold senior executive or managerial positions in a
4 community college district, one representing a community college district in
5 a county with a population of five hundred thousand persons or more and one
6 representing a community college district in a county with a population of
7 less than five hundred thousand persons.

8 3. Two members who hold senior executive or managerial positions in
9 private postsecondary institutions of higher education that are licensed
10 under title 32, chapter 30, that are located in this state, that offer
11 bachelor or higher degrees and that are accredited by a regional
12 accreditation agency approved by the United States department of education.

13 4. Two members who hold senior executive or managerial positions in
14 private postsecondary institutions of higher education that are licensed
15 under title 32, chapter 30, that are located in this state, that offer
16 vocational education programs and that are accredited by a national
17 accreditation agency approved by the United States department of education.

18 5. One member who holds a senior executive or managerial position in a
19 private cosmetology school that is licensed under title 32, chapter 5, that
20 is located in this state, that offers cosmetology programs approved by the
21 board of cosmetology and that is accredited by a national accreditation
22 agency approved by the United States department of education.

23 6. One member who holds a senior executive or managerial position in
24 an institution that is licensed under title 32, chapter 23 or under the
25 provisions of 14 Code of Federal Regulations part 147, that offers vocational
26 education programs at the postsecondary level, that is located in this state
27 and that is not an institution that is qualified under any other category.

28 7. One member who has held a senior executive or managerial level
29 position in commerce or industry in this state for at least three years
30 before the member's appointment and who is not qualified to serve under any
31 other category.

32 8. Two members who hold senior executive or managerial positions in
33 the high school education system in this state.

34 9. One member who is an owner, operator or administrator of a charter
35 school in this state.

36 ~~E.~~ D. Members of the commission appointed pursuant to subsection ~~D~~
37 C, paragraphs 1 through 9 of this section shall serve four year terms.
38 Appointed members of the commission shall be residents of this state.
39 Appointed members of the commission at all times during their terms shall
40 continue to be eligible for appointment under the category that they were
41 appointed to represent. Terms of appointed members of the commission begin
42 on the third Monday in January. No appointed member of the commission may
43 serve more than two consecutive terms.

44 ~~F.~~ E. The executive director of the Arizona board of regents and the
45 executive director of the state board for private postsecondary education
46 serve as members of the commission during their respective terms of office
47 and are not eligible to vote with respect to the commission's review of any
48 postsecondary institution.

1 ~~G.~~ F. Members appointed pursuant to subsection ~~D~~ C, paragraphs 1
2 through 9 of this section are eligible to receive compensation pursuant to
3 section 38-611 for each day spent in the performance of commission duties and
4 may be reimbursed for expenses properly incurred in connection with the
5 attendance at meetings or hearings of the commission.

6 ~~H.~~ G. The governor shall appoint a chairman from among the members of
7 the commission who shall serve a one year term that begins on the third
8 Monday in January.

9 ~~I.~~ H. ~~Except as provided in subsection J of this section,~~ A majority
10 of the members of the commission constitutes a quorum for the transaction of
11 commission business. The vote of a majority of the quorum constitutes
12 authority for the commission to act.

13 ~~J. For all purposes relating to title IV, part H, subpart one of the~~
14 ~~higher education amendments of 1992 the commission membership shall consist~~
15 ~~only of the members appointed pursuant to subsection D paragraphs 1 through 7~~
16 ~~of this section, and all commission actions taken pursuant to title IV, part~~
17 ~~H, subpart one of the higher education act of 1992 require the affirmative~~
18 ~~vote of at least six members.~~

19 ~~K.~~ I. Members of the commission are immune from personal liability
20 with respect to all actions that are taken in good faith and within the scope
21 of the commission's authority.

22 ~~L.~~ J. For the purposes of this section, "community college district"
23 means a community college district that is established pursuant to sections
24 15-1402 and 15-1403 and that is a political subdivision of this state.

25 Sec. 14. Section 15-1852, Arizona Revised Statutes, is amended to
26 read:

27 15-1852. Additional powers and duties

28 A. In addition to the powers and duties prescribed in section 15-1851,
29 the commission for postsecondary education shall:

- 30 1. Meet at least four times each year.
- 31 2. Adopt rules to carry out the purposes of this article.
- 32 3. Administer and enforce ~~the provisions of~~ this article and rules
33 adopted pursuant to this article.
- 34 4. Keep a record of its proceedings.
- 35 5. Contract, on behalf of this state, with the United States secretary
36 of education for the purpose of complying with the provisions of **TITLE IV,**
37 part H, **SUBPART ONE** of the higher education amendments of 1992.

38 ~~6. Enter into agreements and contracts with state regulatory agencies~~
39 ~~or entities, accrediting bodies and other peer review systems for the purpose~~
40 ~~of complying with the provisions of title IV program eligibility reviews as~~
41 ~~set forth in part H of the higher education amendments of 1992. Agreements~~
42 ~~and contracts executed pursuant to this subsection shall be for the purpose~~
43 ~~of conducting fact finding activities, eligibility reviews, compliance~~
44 ~~assessments and recommendations, program reviews and consumer complaint~~
45 ~~studies. The review authority of the commission shall be limited to those~~
46 ~~circumstances specified in section 15-1851, subsection A. The commission~~
47 ~~shall provide sufficient monies to the agency or contractor to perform review~~
48 ~~functions.~~

~~7. Establish procedures for the performance of the title IV eligibility reviews as prescribed in part H, subpart one of the higher education amendments of 1992, the evaluation and assessment of the reviews performed, the evaluation and assessment of the postsecondary institution's initial and continuing title IV eligibility, the notification of the results of the reviews and the enforcement of an appeals process that provides for due process for postsecondary education institutions. The review authority of the commission shall be limited to those circumstances specified in section 15-1851, subsection A.~~

~~8. Establish procedures by which agencies of this state that are responsible for oversight of postsecondary institutions receive notification of eligibility reviews, eligibility determinations and actions and other actions taken or planned against postsecondary institutions.~~

~~9.~~ 6. Comply with ~~the provisions of~~ title 38, chapter 3, article 3.1 and title 39.

B. The commission may:

1. Adopt an official seal.
2. Contract.
3. Sue and be sued.

4. Receive, hold, make and take leases of and sell personal property for the benefit of the commission.

5. Employ permanent or temporary personnel as the commission deems necessary to carry out this article. The commission may designate the duties of these personnel. The commission employees are subject to title 41, chapter 4, articles 5 and 6.

6. Conduct investigations, hold hearings and determine methods of enforcement of ~~the provisions of~~ this article.

7. Issue subpoenas to compel the attendance of witnesses and the production of documents, administer oaths, take testimony, hear proof and receive exhibits into evidence.

8. Establish policy centers under its control to conduct studies.

9. Coordinate and promote studies of interest to postsecondary institutions in this state.

C. The commission is exempt from title 41, chapter 6 but shall adopt rules in a manner substantially similar to title 41, chapter 6.

Sec. 15. Section 15-1853, Arizona Revised Statutes, is amended to read:

15-1853. Funding; federal monies; postsecondary education fund; report

A. The postsecondary education fund is established consisting of:

1. Monies appropriated by the legislature.
2. Monies received from state agencies and political subdivisions of this state.

3. Monies received from the United States government, including monies received from the United States department of education pursuant to subsection B of this section.

4. Gifts, grants and donations received from any private source to carry out the duties and responsibilities of the commission.

1 B. The commission may receive monies distributed by the United States
2 department of education for the reimbursement of the costs of performing
3 review requirements. The costs may include expenses for ~~the instruction of~~
4 ~~personnel needed to serve the purpose of section 15-1851, subsection A,~~ the
5 supplementation of existing review functions, work performed by
6 subcontractors or consultants in connection with the review functions of the
7 commission and any other administrative expenses necessary for compliance
8 with TITLE IV, part H, subpart one of the higher education amendments of
9 1992. No more than thirteen per cent of amounts received by the commission
10 from the United States department of education may be utilized for
11 administrative purposes by the commission.

12 C. The commission shall administer the fund in compliance with the
13 requirements of this article. The commission shall separately account for
14 monies received from each source listed in subsection A of this section and
15 may establish accounts and subaccounts of the fund as necessary to carry out
16 the requirements of this subsection.

17 D. Monies obtained pursuant to subsection A, paragraphs 1 through 3 of
18 this section are subject to legislative appropriation. The commission shall
19 not use these monies for purposes other than those designated by special line
20 items for which the monies are received.

21 E. Monies obtained pursuant to subsection A, paragraph 4 of this
22 section are continuously appropriated. These monies shall be used in
23 accordance with the requests of the donor. If no request is specified, the
24 monies may be used for additional responsibilities of the ~~board~~ COMMISSION
25 prescribed in section 15-1851, subsection ~~C~~ B and section 15-1852,
26 subsection B, paragraphs 8 and 9.

27 F. The commission shall report quarterly to the joint legislative
28 budget committee on fund deposits and expenditures.

29 Sec. 16. Section 15-1854, Arizona Revised Statutes, is amended to
30 read:

31 15-1854. Private postsecondary education student financial
32 assistance program; fund; definition

33 A. A private postsecondary education student financial assistance
34 program is established. The commission shall develop, implement and
35 administer the program. A student who obtains an associate degree from a
36 community college district or from a community college under the jurisdiction
37 of an Indian tribe in this state that meets the same accreditation standards
38 as a community college district and who registers for enrollment as a
39 full-time student in a baccalaureate program at a private, nationally or
40 regionally accredited four year degree granting college or university
41 chartered in this state is eligible to submit an application to the
42 commission for participation in the program. The commission shall establish
43 eligibility criteria for the program including financial need and academic
44 merit, shall develop application forms, procedures and deadlines and shall
45 select qualifying students each year for participation in the program.
46 Participating students shall receive an award in an amount of up to two
47 thousand dollars annually ~~for~~ not to exceed two years ~~and~~ OR four thousand

dollars to be used to pay all or a portion of the tuition and fees charged at the private, accredited four year college or university.

B. A private postsecondary education student financial assistance fund is established consisting of legislative appropriations. The commission shall administer the fund. Monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations. The commission shall make awards for payment of tuition at eligible colleges or universities to students who are selected to participate in the private postsecondary education student financial assistance program pursuant to subsection A of this section.

C. The commission shall develop a program evaluation procedure in order to determine the effectiveness of the private postsecondary education student financial assistance program in shifting students who would have otherwise attended a public four year college or university to private four year degree granting colleges or universities.

D. A student who fails to receive a baccalaureate degree within a three year period of receipt of the program award shall reimburse the private postsecondary education student financial assistance fund for all awards received pursuant to subsection A of this section. ON RECEIPT OF SUPPORTING DOCUMENTATION FROM THE STUDENT, FOR GOOD CAUSE SHOWN THE COMMISSION MAY PROVIDE FOR EXTENSIONS OF THE THREE YEAR PERIOD TO OBTAIN A BACCALAUREATE DEGREE.

E. For the purposes of this section, "community college district" means a community college district that is established pursuant to sections 15-1402 and 15-1403 and that is a political subdivision of this state.

Sec. 17. Section 15-1855, Arizona Revised Statutes, is amended to read:

15-1855. Postsecondary education grant program; fund; program termination; definition

A. The commission on postsecondary education shall develop, implement and administer a postsecondary education grant program. The commission shall develop application forms, procedures and deadlines and shall select eligible students each year for participation in the postsecondary education grant program. The commission may establish partnerships with qualifying schools for the administration of the postsecondary education grant program. Participating full-time students shall receive a grant in an amount of two thousand dollars annually for a maximum of four calendar years to be used to pay all or a portion of the following:

1. The tuition charged at a qualifying school.
2. The cost of books required for classes at a qualifying school.
3. The fees charged at a qualifying school.

B. The amount of a grant awarded to a participating part-time student enrolled ~~in at least six credit hours~~ AT LEAST HALF-TIME FOR THE ACADEMIC YEAR AS DEFINED IN 20 UNITED STATES CODE SECTION 1088 shall be prorated in accordance with the part-time status of the student.

C. Employees of private postsecondary institutions and family members of employees of private postsecondary institutions are not eligible to receive a postsecondary education grant pursuant to this section if the

1 employee or family member is eligible for tuition reimbursement or a tuition
2 waiver as a benefit of employment.

3 D. A student who has a baccalaureate degree from ~~the qualifying school~~
4 **ANY POSTSECONDARY EDUCATIONAL INSTITUTION** is not eligible to receive
5 postsecondary education grant monies pursuant to this section.

6 E. Students who provide satisfactory proof to the commission that the
7 student has met each of the following criteria are eligible to submit an
8 application for consideration by the commission for a grant under the
9 postsecondary education grant program:

- 10 ~~1. The student meets at least one of the following criteria:~~
11 ~~(a) Has graduated from a public or private high school in this state.~~
12 ~~(b) Has completed the equivalent of grade twelve in a home school~~
13 ~~program.~~
14 ~~(c) Has obtained a general equivalency diploma in this state.~~
15 ~~(d) Is currently a resident of this state and has been a resident of~~
16 ~~this state for at least the past twelve months.~~
17 ~~(e) Is a member of the military service of the United States stationed~~
18 ~~in this state or the spouse or dependent of a member of the military service~~
19 ~~of the United States stationed in this state.~~

20 **1. THE STUDENT EITHER:**

- 21 **(a) IS CURRENTLY A RESIDENT OF THIS STATE AND HAS BEEN A RESIDENT OF**
22 **THIS STATE FOR AT LEAST THE PAST TWELVE MONTHS.**
23 **(b) IS A MEMBER OF THE MILITARY SERVICE OF THE UNITED STATES STATIONED**
24 **IN THIS STATE OR THE SPOUSE OR DEPENDENT OF A MEMBER OF THE MILITARY SERVICE**
25 **OF THE UNITED STATES STATIONED IN THIS STATE.**

26 2. The student has met the qualifications adopted by the commission.
27 The commission shall adopt minimum qualifications that are comparable to the
28 admissions standards established by the Arizona board of regents for Arizona
29 public universities.

30 3. The student registers for enrollment as a student in a
31 baccalaureate program at a nationally or regionally accredited private
32 postsecondary educational institution in this state that awards four year
33 baccalaureate degrees.

34 4. The student has provided high school transcripts as proof of
35 graduation if the student has graduated from a public or private high school.
36 If high school records no longer exist for a student or after every
37 reasonable effort has been made to obtain official records, the student may
38 submit a letter certified by the high school from which the student graduated
39 or the original high school diploma.

40 5. The student has completed and submitted a free application for
41 federal student aid.

42 6. The student is a citizen or legal resident of the United States or
43 is otherwise lawfully present in the United States.

44 **7. IF THE STUDENT IS ELIGIBLE TO APPLY FOR MONIES FROM THE PRIVATE**
45 **POSTSECONDARY EDUCATION STUDENT FINANCIAL ASSISTANCE FUND ESTABLISHED BY**
46 **SECTION 15-1854, THE STUDENT SHALL APPLY FOR AND RECEIVE MONIES FROM THE**
47 **PRIVATE POSTSECONDARY EDUCATION STUDENT FINANCIAL ASSISTANCE FUND BEFORE THE**

1 STUDENT IS ELIGIBLE TO APPLY FOR A GRANT FROM THE POSTSECONDARY EDUCATION
2 GRANT FUND ESTABLISHED BY THIS SECTION.

3 F. The postsecondary education grant fund is established consisting of
4 legislative appropriations. The commission shall administer the fund.
5 Monies in the fund are continuously appropriated and are exempt from the
6 provisions of section 35-190 relating to lapsing of appropriations. The
7 commission shall make awards for payment of tuition at qualifying schools to
8 students who are selected to participate in the postsecondary education grant
9 program pursuant to subsection A of this section.

10 G. If the amount of monies available for postsecondary education
11 grants in any fiscal year is insufficient to provide grants to all eligible
12 applicants, the commission shall award grants to eligible students in the
13 order in which the applications were received by the commission, except that
14 priority shall be given to qualifying students who received a grant in the
15 previous fiscal year and who are still in good academic standing at the same
16 qualifying school. The commission shall maintain a waiting list for all
17 other applicants.

18 H. A student who fails to receive a baccalaureate degree within a five
19 year period of receipt of the program award shall reimburse the postsecondary
20 education grant fund for all awards received pursuant to subsection A of this
21 section. ON RECEIPT OF SUPPORTING DOCUMENTATION FROM THE STUDENT, FOR GOOD
22 CAUSE SHOWN THE COMMISSION MAY PROVIDE FOR EXTENSIONS OF THE FIVE YEAR PERIOD
23 TO OBTAIN A BACCALAUREATE DEGREE.

24 I. The commission shall submit an annual report to the governor, the
25 president of the senate, the speaker of the house of representatives and the
26 joint legislative budget committee that includes a detailed description of
27 the amount of monies distributed under the postsecondary education grant
28 program during the previous fiscal year and that includes the total number of
29 qualified applicants for grants, the total number of grants awarded, the
30 qualifying schools attended by grant recipients and the total number of
31 qualified applicants who were placed on the waiting list. The commission
32 shall provide a copy of this report to the secretary of state and the
33 director of the Arizona state library, archives and public records.

34 J. If the commission is notified by a qualifying school that a student
35 who has received a postsecondary education grant is no longer in good
36 academic standing at the qualifying school, the commission shall immediately
37 discontinue the grant and the student shall reimburse the postsecondary
38 education grant fund for any unused portion or any unlawfully used portion of
39 a grant received pursuant to subsection A of this section.

40 K. The commission shall develop a marketing strategy that is designed
41 to provide information about the postsecondary education grant program to all
42 high school students in this state.

43 L. The program established by this section ends on July 1, 2016
44 pursuant to section 41-3102.

45 M. For the purposes of this section, "qualifying school" means a
46 nationally or regionally accredited private postsecondary educational
47 institution in this state that offers four year baccalaureate degrees.

1 Sec. 18. Section 15-1871, Arizona Revised Statutes, is amended to
2 read:

3 15-1871. Definitions

4 In this article, unless the context otherwise requires:

5 1. "Account" means an individual trust account in the fund established
6 as prescribed in this article.

7 2. "Account owner" means the person who enters into a tuition savings
8 agreement pursuant to this article, who is an account owner within the
9 meaning of section 529 of the internal revenue code and who is designated at
10 the time an account is opened as having the right to withdraw monies from the
11 account before the account is disbursed to or for the benefit of the
12 designated beneficiary.

13 3. "Commission" means the commission for postsecondary education
14 established by section 15-1851.

15 4. "Committee" means the family college savings program oversight
16 committee.

17 5. "Designated beneficiary" means a person who qualifies as a
18 designated beneficiary under section 529 of the internal revenue code and,
19 except as provided in section 15-1875, subsections ~~R~~ P and ~~S~~ Q, with
20 respect to an account, who is designated at the time the account is opened as
21 the person whose higher education expenses are expected to be paid from the
22 account or, if this designated beneficiary is replaced in accordance with
23 section 15-1875, subsections ~~E, F and G~~ D, E AND F, the replacement
24 beneficiary.

25 6. "Eligible educational institution" means an institution of higher
26 education that qualifies under section 529 of the internal revenue code as an
27 eligible educational institution.

28 7. "Financial institution" means any bank, commercial bank, national
29 bank, savings bank, savings and loan association, credit union, insurance
30 company, brokerage firm or other similar entity that is authorized to do
31 business in this state.

32 8. "Fund" means the family college savings program trust fund that
33 constitutes a public instrumentality of this state AND THAT IS established by
34 section 15-1873.

35 9. "Member of the family" means any of the following:

36 (a) A son or daughter of a person or a descendant of the son or
37 daughter of the person.

38 (b) A stepson or stepdaughter of a person.

39 (c) A brother, sister, stepbrother or stepsister of a person. For the
40 purposes of this subdivision, "brother" and "sister" includes a brother or
41 sister by the half-blood.

42 (d) The father or mother of a person or the ancestor of the father or
43 mother of a person.

44 (e) A stepfather or stepmother of a person.

45 (f) A son or daughter of a person's brother or sister. For the
46 purposes of this subdivision, "brother" and "sister" includes a brother or
47 sister by the half-blood.

1 (g) A brother or sister of the person's father or mother. For the
2 purposes of this subdivision, "brother" and "sister" includes a brother or
3 sister by the half-blood.

4 (h) A son-in-law, daughter-in-law, father-in-law, mother-in-law,
5 brother-in-law or sister-in-law of a person.

6 (i) The spouse of a person or the spouse of any individual described
7 in this paragraph.

8 (j) A first cousin of a person.

9 (k) Any individual who meets the criteria for family membership
10 described in this paragraph as a result of legal adoption.

11 10. "Nonqualified withdrawal" means a withdrawal from an account other
12 than one of the following:

13 (a) A qualified withdrawal.

14 (b) A withdrawal made as the result of the death or disability of the
15 designated beneficiary of an account.

16 (c) A withdrawal that is made on the account of a scholarship, or the
17 allowance or payment described in section 135(d)(1)(B) or (C) of the internal
18 revenue code, and that is received by the designated beneficiary, but only to
19 the extent of the amount of this scholarship, allowance or payment.

20 (d) A rollover or change of designated beneficiary.

21 11. "Person" means an individual, an individual's legal representative
22 or any other legal entity authorized to establish a savings account under
23 section 529 of the internal revenue code and the corresponding regulations.

24 12. "Program" means the family college savings program **THAT IS**
25 established under this article **AND** that constitutes a qualified tuition
26 program as defined in section 529 of the internal revenue code.

27 13. "Qualified higher education expenses" means tuition, fees, books,
28 supplies, room and board and equipment required for enrollment or attendance
29 of a designated beneficiary at an eligible educational institution and
30 expenses for special needs services in the case of a special needs
31 beneficiary that are incurred in connection with enrollment or attendance, if
32 these expenses meet the definition of qualified higher education expenses in
33 section 529 of the internal revenue code.

34 14. "Qualified withdrawal" means a withdrawal from an account to pay
35 the qualified higher education expenses of the designated beneficiary of the
36 account, but only if the withdrawal is made in accordance with this article.

37 15. "Section 529 of the internal revenue code" means section 529 of the
38 internal revenue code of 1986, as amended, and the final regulations issued
39 pursuant to that section.

40 16. "Trust interest" means an account owner's interest in the fund
41 created by a tuition savings agreement for the benefit of a designated
42 beneficiary.

43 17. "Tuition savings agreement" means an agreement between the
44 commission, as trustee of the fund, and an account owner that creates an
45 interest in the fund and that provides for participation in the program.

1 Sec. 19. Section 15-1874, Arizona Revised Statutes, is amended to
2 read:

3 15-1874. Use of contractor as account depository and manager

4 A. The commission shall implement the operation of the program through
5 the use of one or more financial institutions to act as the depositories of
6 the fund and managers of the program. Under the program, persons may submit
7 applications for enrollment in the program and establish accounts in the fund
8 at the financial institution. Monies paid by account owners to the fund for
9 deposit in accounts maintained by the fund at a financial institution shall
10 be paid to the financial institution as an agent of the fund and the tuition
11 savings agreements shall provide that all monies paid by account owners to
12 fund accounts held at financial institutions are being paid to the fund.

13 B. The committee shall solicit proposals from financial institutions
14 to act as the depositories of fund monies and managers of the program.
15 Financial institutions that submit proposals must describe the financial
16 instruments that will be held in accounts. The commission shall select
17 proposals from financial institutions to act as depositories and managers,
18 and ~~that~~ the solicitation and selection process is exempt from the
19 procurement code requirements of title 41, chapter 23.

20 C. On the recommendation of the committee, the commission shall select
21 the financial institution or institutions to implement ~~the operation of~~ the
22 program from among bidding financial institutions that demonstrate the most
23 advantageous combination, both to potential program participants and this
24 state, of the following factors:

- 25 1. Financial stability and integrity.
- 26 2. The safety of the investment instruments being offered, taking into
27 account any insurance provided with respect to these instruments.
- 28 3. The ability of the investment instruments to track estimated costs
29 of higher education as calculated by the commission and provided by the
30 financial institution to the account holder.
- 31 4. The ability of the financial institutions, directly or through a
32 subcontract, to satisfy record keeping and reporting requirements.
- 33 5. The financial institution's plan for promoting the program and the
34 investment it is willing to make to promote the program.
- 35 6. The fees, if any, proposed to be charged to persons for maintaining
36 accounts.

37 7. The minimum initial deposit and minimum contributions that the
38 financial institution will require for the investment of fund monies and the
39 willingness of the financial institution to accept contributions through
40 payroll deduction plans and other deposit plans.

41 8. Any other benefits to this state or its residents included in the
42 proposal, including an account opening fee payable to the commission by the
43 account owner and an additional fee from the financial institution for
44 statewide program marketing by the commission.

45 D. The commission shall enter into a contract with a financial
46 institution, or except as provided in subsection E of this section, contracts
47 with financial institutions, to serve as program managers and depositories.
48 Program management contracts shall provide the terms and conditions by which

1 financial institutions shall sell interests in the fund to account owners,
2 invest monies in the fund and manage the program.

3 E. The commission may select more than one financial institution and
4 investment for the program if both of the following conditions exist:

5 1. The United States internal revenue service has provided guidance
6 that giving a contributor a choice of two investment instruments under a
7 state plan will not cause the plan to fail to qualify for favorable tax
8 treatment under section 529 of the internal revenue code.

9 2. The commission concludes that the choice of instrument vehicles is
10 in the best interest of college savers and will not interfere with the
11 promotion of the program.

12 F. A program manager shall:

13 1. Take all action required to keep the program in compliance with the
14 requirements of this article and all action not contrary to this article or
15 its contract to manage the program so that it is treated as a qualified
16 tuition plan under section 529 of the internal revenue code.

17 2. Keep adequate records of each of the fund's accounts, keep each
18 account segregated from each other account and provide the commission with
19 the information necessary to prepare statements required by section 15-1875,
20 subsections ~~0, P and Q~~ M, N AND O or file these statements on behalf of the
21 commission.

22 3. Compile and total information contained in statements required to
23 be prepared under section 15-1875, subsections ~~0, P and Q~~ M, N AND O and
24 provide these compilations to the commission.

25 4. If there is more than one program manager, provide the commission
26 with this information to assist the commission to determine compliance with
27 section 15-1875, subsection ~~N~~ L.

28 5. Provide representatives of the commission, including other
29 contractors or other state agencies, access to the books and records of the
30 program manager to the extent needed to determine compliance with the
31 contract.

32 6. Hold all accounts in the name of and for the benefit of the fund
33 and this state.

34 G. Any contract executed between the commission and a financial
35 institution pursuant to this section shall be for a term of at least three
36 years and not more than seven years.

37 H. The commission may terminate a contract with a financial
38 institution at any time for good cause on the recommendation of the
39 committee. If a contract is terminated pursuant to this subsection, the
40 commission shall take custody of accounts held at that financial institution
41 and shall seek to promptly transfer the accounts to another financial
42 institution that is selected as a program manager and into investment
43 instruments as similar to the original investments as possible.

44 I. If the commission determines not to renew the appointment of a
45 financial institution as a program manager, the commission may take action
46 consistent with the interests of the program and the accounts and in
47 accordance with its duties as the trustee of the fund, including termination
48 of all services or continuation of certain management and administrative

1 services of that financial institution for accounts of the program managed by
2 that financial institution during its term as a program manager, if any
3 continuation of services is only permitted under the following conditions:

4 1. The commission and the financial institution ~~enters~~ ENTER into a
5 written agreement specifying the rights of the program and the commission and
6 the responsibilities of the financial institution, including the standards
7 that continue to be applicable to the accounts as accounts of the program.

8 2. Any services provided by the financial institution to accounts
9 continue to be subject to the control of the commission as the trustee of the
10 fund with responsibility of all accounts of the program.

11 Sec. 20. Section 15-1875, Arizona Revised Statutes, is amended to
12 read:

13 15-1875. Program requirements

14 A. The program shall be operated through the use of accounts in the
15 fund established by account owners. Payments to the fund for participation
16 in the program shall be made by account owners pursuant to tuition savings
17 agreements. An account may be opened by any person who desires to invest in
18 the fund and to save to pay qualified higher education expenses by satisfying
19 each of the following requirements:

20 1. Completing an application in the form prescribed by the
21 commission. The application shall include the following information:

22 (a) The name, address and social security number or employer
23 identification number of the contributor.

24 (b) The name, address and social security number of the account owner
25 if the account owner is not the contributor.

26 (c) The name, address and social security number of the designated
27 beneficiary.

28 (d) The certification relating to no excess contributions required by
29 subsection ~~N~~ L.

30 (e) Any other information that the commission may require.

31 2. Paying the one-time application fee established by the commission.

32 3. Making the minimum contribution required by the commission or by
33 opening an account.

34 4. Designating the type of account to be opened if more than one type
35 of account is offered.

36 B. Any person may make contributions to an account after the account
37 is opened.

38 C. Contributions to accounts may be made only in cash.

39 ~~D. Account owners may withdraw all or part of the balance from an~~
40 ~~account on sixty days' notice, or a shorter period as may be authorized by~~
41 ~~the commission, under rules prescribed by the commission. These rules shall~~
42 ~~include provisions that will generally enable the commission or program~~
43 ~~manager to determine if a withdrawal is a nonqualified withdrawal or a~~
44 ~~qualified withdrawal. The rules may, but need not, require one or more of~~
45 ~~the following:~~

1 ~~1. Account owners seeking to make a qualified withdrawal or other~~
2 ~~withdrawal that is not a nonqualified withdrawal shall provide~~
3 ~~certifications, copies of bills for qualified higher education expenses or~~
4 ~~other supporting material.~~

5 ~~2. Qualified withdrawals from an account shall be made only by a check~~
6 ~~payable as designated by the account owner.~~

7 ~~3. Withdrawals not meeting certain requirements shall be treated as~~
8 ~~nonqualified withdrawals by the program manager, and if these withdrawals are~~
9 ~~not nonqualified withdrawals, the account owner must seek refunds of~~
10 ~~penalties, if any, directly from the commission.~~

11 ~~E.~~ D. An account owner may change the designated beneficiary of an
12 account to an individual who is a member of the family of the former
13 designated beneficiary in accordance with procedures established by the
14 commission.

15 ~~F.~~ E. On the direction of an account owner, all or a portion of an
16 account may be transferred to another account of which the designated
17 beneficiary is a member of the family of the designated beneficiary of the
18 transferee account.

19 ~~G.~~ F. Changes in designated beneficiaries and rollovers under this
20 section are not permitted if the changes or rollovers would violate either of
21 the following:

22 1. Subsection ~~N~~ L, relating to excess contributions.

23 2. Subsection ~~K~~ I, relating to investment choice.

24 ~~H. In the case of any nonqualified withdrawal from an account, a~~
25 ~~penalty may be imposed if the penalty is required for purposes of qualifying~~
26 ~~the program as a qualified tuition program under section 529 of the internal~~
27 ~~revenue code. The commission may adopt rules to establish the parameters for~~
28 ~~the assessment of penalties. Any penalties assessed shall be paid to the~~
29 ~~commission for use in operating and marketing the program and for student~~
30 ~~financial aid.~~

31 ~~I.~~ G. Each account shall be maintained separately from each other
32 account under the program.

33 ~~J.~~ H. Separate records and accounting shall be maintained for each
34 account for each designated beneficiary.

35 ~~K.~~ I. No contributor to, account owner of or designated beneficiary
36 of any account may direct the investment, within the meaning of section 529
37 of the internal revenue code, of any contributions to an account or the
38 earnings from the account.

39 ~~L.~~ J. If the commission terminates the authority of a financial
40 institution to hold accounts and accounts must be moved from that financial
41 institution to another financial institution, the commission shall select the
42 financial institution and type of investment to which the balance of the
43 account is moved unless the internal revenue service provides guidance
44 stating that allowing the account owner to select among several financial
45 institutions that are then contractors would not cause a plan to cease to be
46 a qualified tuition plan.

1 ~~M.~~ K. Neither an account owner nor a designated beneficiary may use
2 an interest in an account as security for a loan. Any pledge of an interest
3 in an account is of no force and effect.

4 ~~N.~~ L. On the recommendation of the committee, the commission shall
5 adopt rules to prevent contributions on behalf of a designated beneficiary in
6 excess of those necessary to pay the qualified higher education expenses of
7 the designated beneficiaries. The rules shall address the following:

8 1. Procedures for aggregating the total balances of multiple accounts
9 established for a designated beneficiary.

10 2. The establishment of a maximum total balance for the purpose of
11 prohibiting contributions to accounts established for a designated
12 beneficiary if the contributions would cause the maximum total balance to be
13 exceeded.

14 3. The commission shall review the quarterly reports received from
15 participating financial institutions and certify that the balance in all
16 qualified tuition programs, as defined in section 529 of the internal revenue
17 code, of which that person is the designated beneficiary does not exceed the
18 lesser of:

19 (a) A maximum college savings amount established by the commission
20 from time to time.

21 (b) The cost in current dollars of qualified higher education expenses
22 that the contributor reasonably anticipates the designated beneficiary will
23 incur.

24 4. Requirements that any excess contributions with respect to a
25 designated beneficiary be promptly withdrawn in a nonqualified withdrawal or
26 rolled over to another account in accordance with this section.

27 ~~O.~~ M. If there is any distribution from an account to any person or
28 for the benefit of any person during a calendar year, the distribution shall
29 be reported to the internal revenue service and the account owner or the
30 designated beneficiary to the extent required by federal law.

31 ~~P.~~ N. The financial institution shall provide statements to each
32 account owner at least once each year within thirty-one days after the twelve
33 month period to which they relate. The statement shall identify the
34 contributions made during a preceding twelve month period, the total
35 contributions made through the end of the period, the value of the account as
36 of the end of this period, distributions made during this period and any
37 other matters that the commission requires be reported to the account owner.

38 ~~Q.~~ O. Statements and information returns relating to accounts shall
39 be prepared and filed to the extent required by federal or state tax law.

40 ~~R.~~ P. A state or local government or organizations described in
41 section 501(c)(3) of the internal revenue code may open and become the
42 account owner of an account to fund scholarships for persons whose identity
43 will be determined after an account is opened.

44 ~~S.~~ Q. In the case of any account described in subsection ~~R~~ P, the
45 requirement that a designated beneficiary be designated when an account is
46 opened does not apply and each person who receives an interest in the account
47 as a scholarship shall be treated as a designated beneficiary with respect to
48 the interest.

1 ~~T.~~ R. Any social security numbers, addresses or telephone numbers of
2 individual account holders and designated beneficiaries that come into the
3 possession of the commission are confidential, are not public records and
4 shall not be released by the commission.

5 ~~U.~~ S. An account owner may transfer ownership rights to another
6 eligible account owner.

7 ~~V.~~ T. An account owner may designate successor account owners.

8 Sec. 21. Section 15-2011, Arizona Revised Statutes, is amended to
9 read:

10 15-2011. Minimum school facility adequacy requirements;
11 definition

12 A. The school facilities board ~~shall~~, as determined and prescribed in
13 this chapter, **SHALL** provide funding to school districts for new construction
14 as the projected number of pupils in the district will fill the existing
15 school facilities and require more pupil space.

16 B. School buildings in a school district are adequate if all of the
17 following requirements are met:

18 1. The buildings contain sufficient and appropriate space and
19 equipment that comply with the minimum school facility adequacy guidelines
20 established pursuant to subsection F of this section. The state shall not
21 fund facilities for elective courses that require the school district
22 facilities to exceed minimum school facility adequacy requirements. The
23 school facilities board shall determine whether a school building meets the
24 requirements of this paragraph by analyzing the total square footage that is
25 available for each pupil in conjunction with the need for specialized spaces
26 and equipment.

27 2. The buildings are in compliance with federal, state and local
28 building and fire codes and laws that are applicable to the particular
29 building. An existing school building is not required to comply with current
30 requirements for new buildings unless this compliance is specifically
31 mandated by law or by the building or fire code of the jurisdiction where the
32 building is located.

33 3. The building systems, including roofs, plumbing, telephone systems,
34 electrical systems, heating systems and cooling systems, are in working order
35 and are capable of being properly maintained.

36 4. The buildings are structurally sound.

37 C. The standards that shall be used by the school facilities board to
38 determine whether a school building meets the minimum adequate gross square
39 footage requirements are as follows:

40 1. For a school district that provides instruction to pupils in
41 programs for preschool children with disabilities, kindergarten programs and
42 grades one through six, eighty square feet per pupil in programs for
43 preschool children with disabilities, kindergarten programs and grades one
44 through six.

45 2. For a school district that provides instruction to up to eight
46 hundred pupils in grades seven and eight, eighty-four square feet per pupil
47 in grades seven and eight.

1 3. For a school district that provides instruction to more than eight
2 hundred pupils in grades seven and eight, eighty square feet per pupil in
3 grades seven and eight or sixty-seven thousand two hundred square feet,
4 whichever is more.

5 4. For a school district that provides instruction to up to four
6 hundred pupils in grades nine through twelve, one hundred twenty-five square
7 feet per pupil in grades nine through twelve.

8 5. For a school district that provides instruction to more than four
9 hundred and up to one thousand pupils in grades nine through twelve, one
10 hundred twenty square feet per pupil in grades nine through twelve or fifty
11 thousand square feet, whichever is more.

12 6. For a school district that provides instruction to more than one
13 thousand and up to one thousand eight hundred pupils in grades nine through
14 twelve, one hundred twelve square feet per pupil in grades nine through
15 twelve or one hundred twenty thousand square feet, whichever is more.

16 7. For a school district that provides instruction to more than one
17 thousand eight hundred pupils in grades nine through twelve, ninety-four
18 square feet per pupil in grades nine through twelve or two hundred one
19 thousand six hundred square feet, whichever is more.

20 D. The school facilities board may modify the square footage
21 requirements prescribed in subsection C of this section or modify the amount
22 of monies awarded to cure the square footage deficiency pursuant to this
23 section for particular school districts based on extraordinary circumstances
24 for any of the following considerations:

25 1. The number of pupils served by the school district.

26 2. Geographic factors.

27 3. Grade configurations other than those prescribed in subsection C of
28 this section.

29 E. In measuring the square footage per pupil requirements of
30 subsection C of this section, the school facilities board shall:

31 1. Use the most recent one hundredth day average daily membership
32 **MODIFIED TO COUNT KINDERGARTEN STUDENTS AS FULL-TIME STUDENTS.**

33 2. For each school, use the lesser of either:

34 (a) Total gross square footage.

35 (b) Student capacity multiplied by the appropriate square footage per
36 pupil prescribed by subsection C of this section.

37 3. Consider the total space available in all schools in use in the
38 school district, except that the school facilities board shall allow an
39 exclusion of the square footage for certain schools and the pupils within the
40 schools' boundaries if the school district demonstrates to the board's
41 satisfaction unusual or excessive busing of pupils or unusual attendance
42 boundary changes between schools.

43 4. Compute the gross square footage of all buildings by measuring from
44 exterior wall to exterior wall. Square footage used solely for district
45 administration, storage of vehicles and other nonacademic purposes shall be
46 excluded from the gross square footage.

- 1 5. Include all portable and modular buildings.
- 2 6. Include in the gross square footage new construction funded wholly
- 3 or partially by the school facilities board based on the square footage
- 4 funded by the school facilities board. If the new construction is to exceed
- 5 the square footage funded by the school facilities board, ~~then~~ the excess
- 6 square footage shall not be included in the gross square footage if any of
- 7 the following ~~apply~~ APPLIES:
- 8 (a) The excess square footage was constructed before July 1, 2002 or
- 9 funded by a class B bond, impact aid revenue bond or capital outlay override
- 10 approved by the voters after August 1, 1998 and before June 30, 2002 or
- 11 funded from unrestricted capital outlay expended before June 30, 2002.
- 12 (b) The excess square footage of new school facilities does not exceed
- 13 twenty-five per cent of the minimum square footage requirements pursuant to
- 14 subsection C of this section.
- 15 (c) The excess square footage of expansions to school facilities does
- 16 not exceed twenty-five per cent of the minimum square footage requirements
- 17 pursuant to subsection C of this section.
- 18 7. Require that excess square footage that is constructed after July
- 19 1, 2002 and that is not excluded pursuant to paragraph 6 of this subsection
- 20 meets the minimum school facility adequacy guidelines in order to be eligible
- 21 for building renewal monies as computed in section 15-2031.
- 22 8. Exclude square footage built under a developer agreement according
- 23 to section 15-342, paragraph 33 until the school facilities board provides
- 24 funding for the square footage under section 15-2041, subsection 0.
- 25 F. The school facilities board shall adopt rules establishing minimum
- 26 school facility adequacy guidelines. The executive director of the school
- 27 facilities board shall report monthly to the joint committee on capital
- 28 review on the progress of the development of the proposed rules establishing
- 29 the guidelines. The joint committee on capital review shall review the
- 30 proposed guidelines before the school facilities board adopts the rules to
- 31 establish the minimum school facility adequacy guidelines. The guidelines
- 32 shall provide the minimum quality and quantity of school buildings and
- 33 facilities and equipment necessary and appropriate to enable pupils to
- 34 achieve the academic standards pursuant to section 15-203, subsection A,
- 35 paragraphs 12 and 13 and sections 15-701 and 15-701.01. At a minimum, the
- 36 school facilities board shall address all of the following in developing
- 37 these guidelines:
- 38 1. School sites.
- 39 2. Classrooms.
- 40 3. Libraries and media centers, or both.
- 41 4. Cafeterias.
- 42 5. Auditoriums, multipurpose rooms or other multiuse space.
- 43 6. Technology.
- 44 7. Transportation.
- 45 8. Facilities for science, arts and physical education.
- 46 9. Other facilities and equipment that are necessary and appropriate
- 47 to achieve the academic standards prescribed pursuant to section 15-203,
- 48 subsection A, paragraphs 12 and 13 and sections 15-701 and 15-701.01.

1 10. Appropriate combinations of facilities or uses listed in this
2 section.

3 G. The board shall consider the facilities and equipment of the
4 schools with the highest academic productivity scores, as prescribed in
5 section 15-2002, subsection A, paragraph 9, subdivision (d), and the highest
6 parent quality ratings in the establishment of the guidelines.

7 H. The school facilities board may consider appropriate combinations
8 of facilities or uses in making assessments of and curing existing
9 deficiencies pursuant to section 15-2002, subsection A, paragraph 1 and in
10 certifying plans for new school facilities pursuant to section 15-2002,
11 subsection A, paragraph 5.

12 I. For the purposes of this section, "student capacity" means the
13 capacity adjusted to include any additions to or deletions of space,
14 including modular or portable buildings at the school. The school facilities
15 board shall determine the student capacity for each school in conjunction
16 with each school district, recognizing each school's allocation of space as
17 of July 1, 1998, to achieve the academic standards prescribed pursuant to
18 section 15-203, subsection A, paragraphs 12 and 13 and sections 15-701 and
19 15-701.01.

20 Sec. 22. Title 15, chapter 16, article 4, Arizona Revised Statutes, is
21 amended by adding section 15-2032, to read:

22 15-2032. School facilities board building renewal grant fund;
23 definitions

24 A. NOTWITHSTANDING SECTION 15-2031, THE BUILDING RENEWAL GRANT FUND IS
25 ESTABLISHED CONSISTING OF MONIES APPROPRIATED TO THE FUND BY THE LEGISLATURE.
26 THE SCHOOL FACILITIES BOARD SHALL ADMINISTER THE FUND AND DISTRIBUTE MONIES
27 TO SCHOOL DISTRICTS FOR THE PURPOSE OF MAINTAINING THE ADEQUACY OF EXISTING
28 SCHOOL FACILITIES. MONIES IN THE FUND ARE EXEMPT FROM THE PROVISIONS OF
29 SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

30 B. THE SCHOOL FACILITIES BOARD SHALL DISTRIBUTE MONIES FROM THE FUND
31 BASED ON GRANT REQUESTS FROM SCHOOL DISTRICTS TO FUND PRIMARY BUILDING
32 RENEWAL PROJECTS. PROJECT REQUESTS SHALL BE PRIORITIZED BY THE SCHOOL
33 FACILITIES BOARD, WITH PRIORITY GIVEN TO SCHOOL DISTRICTS THAT HAVE PROVIDED
34 ROUTINE PREVENTATIVE MAINTENANCE ON THE FACILITY, AND TO SCHOOL DISTRICTS
35 THAT CAN PROVIDE A MATCH OF MONIES PROVIDED BY THE FUND. THE SCHOOL
36 FACILITIES BOARD SHALL APPROVE ONLY PROJECTS THAT WILL BE COMPLETED WITHIN
37 TWELVE MONTHS, UNLESS SIMILAR PROJECTS ON AVERAGE TAKE LONGER TO COMPLETE.

38 C. SCHOOL DISTRICTS THAT RECEIVE MONIES FROM THE FUND SHALL USE THESE
39 MONIES ON PROJECTS FOR BUILDINGS OR ANY PART OF A BUILDING IN THE SCHOOL
40 FACILITIES BOARD'S DATABASE FOR ANY OF THE FOLLOWING:

- 41 1. MAJOR RENOVATIONS AND REPAIRS TO A BUILDING.
42 2. UPGRADING SYSTEMS AND AREAS THAT WILL MAINTAIN OR EXTEND THE USEFUL
43 LIFE OF THE BUILDING.
44 3. INFRASTRUCTURE COSTS.
45 D. MONIES RECEIVED FROM THE FUND SHALL NOT BE USED FOR ANY OF THE
46 FOLLOWING PURPOSES:

1. NEW CONSTRUCTION.
2. REMODELING INTERIOR SPACE FOR AESTHETIC OR PREFERENTIAL REASONS.
3. EXTERIOR BEAUTIFICATION.
4. DEMOLITION.
5. THE PURCHASE OF SOFT CAPITAL ITEMS PURSUANT TO SECTION 15-962.
6. ROUTINE PREVENTATIVE MAINTENANCE.
- E. FOR THE PURPOSES OF THIS SECTION:

1. "PRIMARY BUILDING RENEWAL PROJECTS" MEANS PROJECTS THAT ARE NECESSARY FOR BUILDINGS OWNED BY SCHOOL DISTRICTS THAT ARE REQUIRED TO MEET THE MINIMUM ADEQUACY STANDARDS FOR STUDENT CAPACITY AND THAT FALL BELOW THE MINIMUM SCHOOL FACILITY ADEQUACY GUIDELINES, AS ADOPTED BY THE SCHOOL FACILITIES BOARD PURSUANT TO SECTION 15-2011, FOR SCHOOL DISTRICTS THAT HAVE PROVIDED ROUTINE PREVENTATIVE MAINTENANCE TO THE SCHOOL FACILITY.

2. "ROUTINE PREVENTATIVE MAINTENANCE" MEANS SERVICES THAT ARE PERFORMED ON A REGULAR SCHEDULE AT INTERVALS RANGING FROM FOUR TIMES A YEAR TO ONCE EVERY THREE YEARS AND THAT ARE INTENDED TO EXTEND THE USEFUL LIFE OF A BUILDING SYSTEM AND REDUCE THE NEED FOR MAJOR REPAIRS.

3. "STUDENT CAPACITY" HAS THE SAME MEANING PRESCRIBED IN SECTION 15-2011.

Sec. 23. Section 28-8101, Arizona Revised Statutes, is amended to read:

28-8101. Local transportation assistance fund

A. A local transportation assistance fund is established consisting of:

1. Monies deposited from the state lottery fund pursuant to section 5-522.
2. Monies appropriated pursuant to subsection B of this section.
3. Monies deposited pursuant to section 28-5808, subsection C.
4. Interest earned on local transportation assistance monies as provided in subsection C of this section.

B. The legislature shall appropriate an amount that is necessary to provide that the total monies available in the local transportation assistance fund for each fiscal year equal twenty million five hundred thousand dollars.

C. The state treasurer shall invest and divest monies in the local transportation assistance fund as provided by section 35-313, and monies earned from investment shall be credited to the fund.

D. A maximum amount of twenty-three million dollars may be deposited in the local transportation assistance fund each fiscal year from the state lottery fund as provided in section 5-522, subsection B.

E. A maximum amount of eighteen million dollars may be deposited in the local transportation assistance fund each fiscal year from the state lottery fund as provided in section 5-522, subsection A, ~~paragraphs 4 and 6~~ PARAGRAPH 3.

1 Sec. 24. Section 28-8103, Arizona Revised Statutes, is amended to
2 read:

3 28-8103. Special lottery and vehicle license tax monies; fund
4 distribution; notice; proposals; annual financial
5 report; definitions

6 A. Monies in the local transportation assistance fund pursuant to
7 section 5-522, subsection A, ~~paragraphs 4 and 6~~ PARAGRAPH 3 and section
8 28-5808, subsection C shall be available for distribution by the department
9 to the following in the proportion that the population of each bears to the
10 total population of this state:

11 1. In each county with a population of one million two hundred
12 thousand or more persons, to the public transportation fund established by
13 section 48-5103.

14 2. In each county with a population of five hundred thousand or more
15 persons but less than one million two hundred thousand persons, to the
16 metropolitan planning organization in the county.

17 3. In each county with a population of less than five hundred thousand
18 persons, to cities and towns located in the county and to the county board of
19 supervisors. The distribution to the county board of supervisors shall be
20 based on the unincorporated population of the county.

21 B. The department shall not distribute more than eighteen million
22 dollars in any one fiscal year as provided in this section. Monies
23 distributed pursuant to this section are exempt from the provisions of
24 section 35-190 relating to lapsing of appropriations.

25 C. The department shall distribute monies to a public transportation
26 fund or a metropolitan planning organization pursuant to subsection A,
27 paragraphs 1 and 2 of this section when a regional public transportation
28 authority or metropolitan planning organization certifies that its local
29 monies have been spent or are in the process of being spent. The monies
30 distributed pursuant to subsection A, paragraphs 1 and 2 of this section
31 shall be further distributed as matching grants to cities and towns located
32 in the county in the proportion that the population of each city or town
33 bears to the total population in that county and to the board of supervisors
34 in the proportion that the unincorporated population of the county bears to
35 the total population in that county. The monies distributed pursuant to
36 subsection A, paragraph 3 of this section shall be distributed as matching
37 grants to cities, towns and boards of supervisors.

38 D. Monies distributed pursuant to subsection C of this section shall
39 only be distributed to cities, towns and counties that satisfy the following
40 match requirements:

41 1. For counties with a population of five hundred thousand or more
42 persons, a match that is at least equal to the amount of grant monies
43 requested by a county.

44 2. For counties with a population of less than five hundred thousand
45 persons, a match that is at least equal to one-fourth of the amount of grant
46 monies requested by a county.

1 3. For cities with a population of fifty thousand or more persons, a
2 match that is at least equal to the amount of grant monies requested by a
3 city.

4 4. For cities or towns with a population of less than fifty thousand
5 persons, a match that is at least equal to one-fourth of the amount of the
6 grant monies requested by a city or town.

7 E. A regional public transportation authority, a metropolitan planning
8 organization and the department shall notify cities, towns and boards of
9 supervisors within their jurisdictions of the maximum amount of matching
10 grant monies available to them each year pursuant to this section. Each year
11 cities, towns and counties may submit proposals to a regional public
12 transportation authority, a metropolitan planning organization or the
13 department requesting some or all of the matching grant monies available to
14 them in that year. For distributions pursuant to subsection A, paragraph 1
15 or 2 of this section, each proposal shall certify that the city, town or
16 county will invest local monies in an amount that is at least equal to the
17 amount prescribed in subsection D of this section and shall detail a plan for
18 spending all matching grant and local monies, and if a city, town or county
19 complies with this section, the regional public transportation authority or
20 metropolitan planning organization shall distribute matching grant monies to
21 the city, town or county. For distributions pursuant to subsection A,
22 paragraph 3 of this section, each proposal shall certify that the city, town
23 or county will invest local monies in an amount that is at least equal to the
24 amount prescribed in subsection D of this section and shall detail a plan for
25 spending all matching grant and local monies.

26 F. Except as provided in subsection G of this section, monies
27 distributed pursuant to this section shall be used only for public transit
28 purposes, including operating and capital purposes, that are determined by
29 the distributing agency to conform with the long-range transportation plan or
30 regional transportation plan.

31 G. A city, town or county may use monies it receives pursuant to this
32 section for other transportation purposes if it receives less than two
33 thousand five hundred dollars pursuant to this section in a calendar year.

34 H. On or before November 1 of each year, a regional public
35 transportation authority or metropolitan planning organization that receives
36 monies pursuant to this section shall submit an annual report to the director
37 that contains the following information that is attested to by an independent
38 certified public accountant:

39 1. A schedule of beginning and ending fund balances.

40 2. All monies received pursuant to this section and the specific
41 purposes for which they are spent, including whether they are spent for
42 operating or capital purposes.

43 3. All local matching expenditures made pursuant to this section.

44 I. On or before January 1 of each year, the director shall submit a
45 report on compliance with the reporting requirements prescribed in this
46 section to the governor, the president of the senate, the speaker of the
47 house of representatives and the joint legislative budget committee. The
48 director's report shall include:

1 1. A determination of whether each regional public transportation
2 authority and metropolitan planning organization has complied with the
3 reporting requirements prescribed in this section.

4 2. A summary of the monies allocated to each regional public
5 transportation authority and metropolitan planning organization pursuant to
6 this section in the preceding fiscal year.

7 3. A summary of local monies spent on public transit pursuant to this
8 section.

9 J. The director shall notify by certified mail each regional public
10 transportation authority and metropolitan planning organization that is not
11 in compliance with the reporting requirements prescribed in this section of
12 its noncompliance. A regional public transportation authority or
13 metropolitan planning organization that receives this notice shall comply
14 with the reporting requirements prescribed in this section within thirty days
15 after receipt of the notice. If a regional public transportation authority
16 or metropolitan planning organization fails to comply with the reporting
17 requirements prescribed in this section within thirty days after receipt of
18 the notice, it is not eligible to receive any monies pursuant to this section
19 in the next fiscal year.

20 K. A metropolitan planning organization, city, town or county may
21 enter into an intergovernmental agreement with a federally recognized Indian
22 tribe to provide financial assistance pursuant to this section for
23 maintaining or operating an existing public transit service provided by the
24 Indian tribe.

25 L. For the purposes of this section:

26 1. "Local monies" means:

27 (a) Revenue that is generated by a city, town or county from
28 nonfederal sources and that was first appropriated by the city, town or
29 county for public transit activities in or after fiscal year 1993-1994.

30 (b) Donations that are received by a city, town or county from
31 nongovernmental sources and that are in the form of monies or in-kind
32 contributions.

33 2. "Population" means the population of a city, town or county as
34 defined pursuant to section 41-563.

35 3. "Public transit" means local, regional or intercity transportation
36 of passengers by means of a public conveyance, including para-transit, and
37 local transportation of passengers by car pool vehicle. For the purposes of
38 this paragraph, "car pool vehicle" means any motor vehicle when operated by a
39 car pool operator as defined in section 28-4032.

40 Sec. 25. Section 41-1276, Arizona Revised Statutes, is amended to
41 read:

42 41-1276. Truth in taxation levy for equalization assistance to
43 school districts

44 A. On or before February 15 of each year, the joint legislative budget
45 committee shall compute and transmit the truth in taxation rates for
46 equalization assistance for school districts for the following fiscal year
47 to:

1 1. The chairmen of the house of representatives ways and means
2 committee and the senate finance committee or their successor committees.

3 2. The chairmen of the appropriations committees of the senate and the
4 house of representatives or their successor committees.

5 B. The truth in taxation rates consist of the qualifying tax rate for
6 a high school district or a common school district within a high school
7 district that does not offer instruction in high school subjects pursuant to
8 section 15-971, subsection B, paragraph 1, a qualifying tax rate for a
9 unified district, a common school district not within a high school district
10 or a common school district within a high school district that offers
11 instruction in high school subjects pursuant to section 15-971, subsection B,
12 paragraph 2 and a state equalization assistance property tax rate pursuant to
13 section 15-994 that will offset the change in net assessed valuation of
14 property that was subject to tax in the prior year.

15 C. The joint legislative budget committee shall compute the truth in
16 taxation rates as follows:

17 1. Determine the statewide primary net assessed value for the
18 preceding tax year as provided in section 42-17151, subsection A,
19 paragraph 3.

20 2. Determine the statewide primary net assessed value for the current
21 tax year, excluding the net assessed value of property that was not subject
22 to tax in the preceding year.

23 3. Divide the amount determined in paragraph 1 of this subsection by
24 the amount determined in paragraph 2 of this subsection.

25 4. Adjust the qualifying tax rates and the state equalization
26 assistance property tax rate for the current fiscal year by the percentage
27 determined in paragraph 3 of this subsection in order to offset the change in
28 net assessed value.

29 D. Except as provided in subsections E and G of this section, the
30 qualifying tax rate for a high school district or a common school district
31 within a high school district that does not offer instruction in high school
32 subjects, the qualifying tax rate for a unified school district, a common
33 school district not within a high school district or a common school district
34 within a high school district that offers instruction in high school subjects
35 and the state equalization assistance property tax rate for the following
36 fiscal year shall be the rate determined by the joint legislative budget
37 committee pursuant to subsection C of this section. The committee shall
38 transmit the rates to the superintendent of public instruction and the county
39 boards of supervisors by March 15 each year.

40 E. If the legislature proposes either qualifying tax rates or a state
41 equalization assistance property tax rate that exceeds the truth in taxation
42 rate:

43 1. The house of representatives ways and means committee and the
44 senate finance committee or their successor committees shall hold a joint
45 hearing on or before February 28 and publish a notice of a truth in taxation
46 hearing that meets the following requirements:

47 (a) The notice shall be published twice in a newspaper of general
48 circulation in this state that is published at the state capital. The first

1 publication shall be at least fourteen but not more than twenty days before
2 the date of the hearing. The second publication shall be at least seven but
3 not more than ten days before the date of the hearing.

4 (b) The notice shall be published in a location other than the
5 classified or legal advertising section of the newspaper.

6 (c) The notice shall be at least one-fourth page in size and shall be
7 surrounded by a solid black border at least one-eighth inch in width.

8 (d) The notice shall be in the following form, with the "truth in
9 taxation hearing - notice of tax increase" headline in at least eighteen
10 point type:

11 Truth in Taxation Hearing

12 Notice of Tax Increase

13 In compliance with section 41-1276, Arizona Revised
14 Statutes, the state legislature is notifying property taxpayers
15 in Arizona of the legislature's intention to raise the property
16 tax levy over last year's level.

17 The proposed tax increase will cause the taxes on a
18 \$100,000 home to increase by \$_____.

19 All interested citizens are invited to attend a public
20 hearing on the tax increase that is scheduled to be held
21 _____ (date and time) at _____ (location).

22 (e) For purposes of computing the tax increase on a one hundred
23 thousand dollar home as required by the notice, the joint meeting of the
24 house of representatives ways and means committee and the senate finance
25 committee or their successor committees shall consider the difference between
26 the truth in taxation rate and the proposed increased rate.

27 2. The joint meeting of the house of representatives ways and means
28 committee and the senate finance committee or their successor committees
29 shall consider any motion to recommend the proposed tax rates to the full
30 legislature by roll call vote.

31 F. In addition to publishing the truth in taxation notice under
32 subsection E, paragraph 1 of this section, the joint meeting of the house of
33 representatives ways and means committee and the senate finance committee or
34 their successor committees shall issue a press release containing the truth
35 in taxation notice.

36 G. Notwithstanding any other law, the legislature shall not adopt a
37 state budget that provides for either qualifying tax rates pursuant to
38 section 15-971 or a state equalization assistance property tax rate pursuant
39 to section 15-994 that exceeds the truth in taxation rates computed pursuant
40 to subsection A of this section unless the rates are adopted by a concurrent
41 resolution approved by an affirmative roll call vote of two-thirds of the
42 members of each house of the legislature before the legislature enacts the
43 general appropriations bill. If the resolution is not approved by two-thirds
44 of the members of each house of the legislature, the rates for the following
45 fiscal year shall be the truth in taxation rates determined pursuant to
46 subsection C of this section and shall be transmitted to the superintendent
47 of public instruction and the county boards of supervisors.

1 H. Notwithstanding subsection C of this section and if approved by the
2 qualified electors voting at a statewide general election, the legislature
3 shall not set a qualifying tax rate that exceeds \$2.1265 for a common or high
4 school district or \$4.253 for a unified school district. The legislature
5 shall not set a county equalization assistance for education rate that
6 exceeds \$0.5123.

7 I. Pursuant to subsection C of this section, the qualifying tax rate
8 in tax year ~~2007~~ 2008 for a high school district or a common school district
9 within a high school district that does not offer instruction in high school
10 subjects as provided in section 15-447 is ~~\$1.6020~~ \$1.4622 and for a unified
11 school district, a common school district not within a high school district
12 or a common school district within a high school district that offers
13 instruction in high school subjects as provided in section 15-447 is ~~\$3.2040~~
14 \$2.9244. The state equalization assistance property tax rate in tax years
15 2006, 2007 and 2008 is zero. The state equalization assistance property tax
16 rate in tax year 2009 shall be computed by annually adjusting the tax year
17 2005 rate of \$0.4358 as provided by this section through tax year 2009.

18 Sec. 26. Repeal

19 Section 41-3008.14, Arizona Revised Statutes, is repealed.

20 Sec. 27. Repeal

21 Section 41-3008.19, Arizona Revised Statutes, is repealed.

22 Sec. 28. Title 41, chapter 27, article 2, Arizona Revised Statutes, is
23 amended by adding section 41-3010.24, to read:

24 41-3010.24. Commission for postsecondary education; termination
25 July 1, 2010

26 A. THE COMMISSION FOR POSTSECONDARY EDUCATION TERMINATES ON
27 JULY 1, 2010.

28 B. TITLE 15, CHAPTER 14, ARTICLE 5 IS REPEALED ON JANUARY 1, 2011.

29 Sec. 29. Title 41, chapter 27, article 2, Arizona Revised Statutes, is
30 amended by adding section 41-3018.19, to read:

31 41-3018.19. School facilities board; termination July 1, 2018

32 A. THE SCHOOL FACILITIES BOARD TERMINATES ON JULY 1, 2018.

33 B. TITLE 15, CHAPTER 16 IS REPEALED ON JANUARY 1, 2019 ONLY IF EITHER:

34 1. THE BOARD HAS NO OUTSTANDING STATE SCHOOL FACILITIES REVENUE BONDS
35 ISSUED PURSUANT TO TITLE 15, CHAPTER 16, ARTICLE 6, NO OUTSTANDING STATE
36 SCHOOL IMPROVEMENT REVENUE BONDS ISSUED PURSUANT TO TITLE 15, CHAPTER 16,
37 ARTICLE 7 AND NO OUTSTANDING LEASE-TO-OWN TRANSACTIONS PURSUANT TO SECTIONS
38 15-2004, 15-2005 AND 15-2006.

39 2. THE LEGISLATURE HAS OTHERWISE PROVIDED FOR PAYING OR RETIRING ANY
40 OUTSTANDING STATE SCHOOL FACILITIES REVENUE BONDS, ANY OUTSTANDING STATE
41 SCHOOL IMPROVEMENT REVENUE BONDS AND ANY OUTSTANDING LEASE-TO-OWN
42 TRANSACTIONS.

43 C. IF NEITHER OF THE CONDITIONS IN SUBSECTION B OF THIS SECTION HAVE
44 OCCURRED ON OR BEFORE JANUARY 1, 2019, TITLE 15, CHAPTER 16 IS REPEALED
45 THIRTY DAYS AFTER THE RETIREMENT OF ALL REVENUE BONDS ISSUED PURSUANT TO
46 TITLE 15, CHAPTER 16, ARTICLES 6 AND 7 AND ANY OUTSTANDING LEASE-TO-OWN
47 TRANSACTIONS ISSUED PURSUANT TO SECTIONS 15-2004, 15-2005 AND 15-2006.

1 Sec. 30. Distribution of lottery revenues to university capital
2 lease-to-own and bond fund in fiscal year 2008-2009

3 In addition to other distributions prescribed by law, of the monies
4 remaining in the state lottery fund in fiscal year 2008-2009 after
5 appropriations and deposits authorized in section 5-522, subsections A
6 through G, Arizona Revised Statutes, as amended by this act, and after a
7 total of at least \$47,000,000 has been deposited in the state general fund,
8 an additional \$10,000,000 shall be deposited in the state general fund and
9 the remaining balance in the state lottery fund shall be deposited in the
10 university capital improvement lease-to-own and bond fund established by
11 section 15-1682.03, Arizona Revised Statutes, as added by this act, up to a
12 maximum of \$20,000,000.

13 Sec. 31. Exemption from rule making

14 A. For the purposes of this act, the Arizona board of regents is
15 exempt from the rule making requirements of title 41, chapter 6, Arizona
16 Revised Statutes, for one year after the effective date of this act.

17 B. For the purposes of this act, the Arizona state lottery commission
18 is exempt from the rule making requirements of title 41, chapter 6, Arizona
19 Revised Statutes, until December 31, 2008.

20 Sec. 32. Distribution of lottery revenues to local
21 transportation assistance fund in fiscal year
22 2008-2009

23 Notwithstanding section 5-522, subsection A, paragraph 3, Arizona
24 Revised Statutes, as amended by this act, in fiscal year 2008-2009 the sum of
25 \$9,499,300 shall be paid from the state lottery fund to the local
26 transportation assistance fund established by section 28-8101, Arizona
27 Revised Statutes, as amended by this act.

28 Sec. 33. Appropriation; operating expenses for an agencywide
29 performance based compensation plan

30 The sum of \$750,000 is appropriated from the state lottery fund in
31 fiscal year 2008-2009 to the Arizona state lottery for operating expenses for
32 an agencywide performance based compensation plan for state lottery
33 employees.

34 Sec. 34. University of Arizona Phoenix biomedical campus

35 Of the maximum of one billion dollars in lease-to-own and bond
36 agreements authorized under section 15-1682.03, Arizona Revised Statutes, as
37 added by this act, the Arizona board of regents shall allocate \$470,000,000
38 in bond proceeds to the construction of the university of Arizona Phoenix
39 biomedical campus.

40 Sec. 35. Financial aid trust fund; required state match

41 Notwithstanding section 15-1642, subsection C, Arizona Revised
42 Statutes, for fiscal year 2008-2009, each dollar raised pursuant to the
43 surcharge on student registration established in section 15-1642, subsection
44 A, Arizona Revised Statutes, may be matched by less than two dollars
45 appropriated by the legislature.

1 Sec. 36. Community colleges; capital outlay aid; suspension

2 Notwithstanding section 15-1464, Arizona Revised Statutes, or any other
3 law, capital outlay state aid for community colleges is suspended for fiscal
4 year 2008-2009.

5 Sec. 37. Community colleges; operating state aid

6 Notwithstanding section 15-1466, Arizona Revised Statutes, the fiscal
7 year 2008-2009 appropriation for operating state aid for community colleges
8 shall be the amount appropriated in the general appropriation act.

9 Sec. 38. Community colleges; equalization aid

10 Notwithstanding section 15-1468, Arizona Revised Statutes, the fiscal
11 year 2008-2009 appropriation for equalization aid for community colleges
12 shall be the amount appropriated in the general appropriation act.

13 Sec. 39. Repeal

14 Laws 2006, chapter 375, section 6 is repealed.

15 Sec. 40. Repeal

16 Laws 2007, chapter 264, section 14 is repealed.

17 Sec. 41. Purpose

18 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,
19 the legislature continues the school facilities board to evaluate the school
20 capital needs of school districts and to distribute monies to school
21 districts in order to cure existing deficiencies, for building renewal and
22 for the construction of new facilities.

23 Sec. 42. Joint technological education district equalization
24 funding; pro rata reduction

25 A. Notwithstanding section 15-393, Arizona Revised Statutes, or any
26 other law, the department of education shall fund state aid for joint
27 technological education districts for fiscal year 2008-2009 at ninety-one per
28 cent of the amount that otherwise would be provided by law.

29 B. Notwithstanding subsection A of this section, a joint technological
30 education district shall not receive less equalization formula funding for
31 fiscal year 2008-2009 than it received for fiscal year 2007-2008 except for
32 reductions due to changes in student counts, net assessed property values or
33 other technical factors or due to prior year adjustments or corrections. For
34 the purposes of this subsection, "equalization formula funding" means the sum
35 of a joint technological education district's base support level, as
36 prescribed in section 15-943.02, Arizona Revised Statutes, and its capital
37 outlay revenue limit and soft capital allocation, as prescribed in section
38 15-962.01, Arizona Revised Statutes.

39 Sec. 43. Reduction in school district state aid apportionment:
40 fiscal year 2008-2009; appropriations in fiscal year
41 2009-2010

42 A. Notwithstanding any other law, the state board of education shall
43 defer until July 1, 2009 \$602,627,700 of the basic state aid and additional
44 state aid payment that otherwise would be apportioned to school districts
45 under law on May 15, 2009 and June 15, 2009. The funding deferral required
46 by this subsection does not apply to charter schools.

1 B. The sum of \$602,627,700 is appropriated in fiscal year 2009-2010
2 from the state general fund to the state board of education and the
3 superintendent of public instruction for basic state aid and additional state
4 aid entitlement for fiscal year 2009-2010. This appropriation shall be
5 disbursed on July 1, 2009 to the several counties for the school districts in
6 each county in amounts equal to the reductions in apportionment of basic
7 state aid and additional state aid that are required pursuant to subsection A
8 for fiscal year 2008-2009.

9 C. The sum of \$886,200 is appropriated in fiscal year 2009-2010 from
10 the state general fund to the state board of education and the superintendent
11 of public instruction for any costs to school districts that may be
12 associated with the reductions in apportionment of basic state aid and
13 additional state aid for fiscal year 2008-2009 that are required pursuant to
14 subsection A. This appropriation shall be disbursed on July 1, 2009 to the
15 several counties for the school districts in each county and shall be
16 allocated based on the per cent of the total \$602,627,700 deferred payment
17 for fiscal year 2008-2009 that is attributable to each individual school
18 district.

19 D. Notwithstanding any provision of law, for fiscal year 2009-2010, if
20 the governing board of a school district incurred interest expenses for
21 registering warrants in fiscal year 2008-2009 or expects to incur interest
22 expenses for registering warrants in fiscal year 2009-2010 pursuant to
23 subsection A, the governing board may budget an estimated amount for those
24 interest expenses. Any such amount is specifically exempt from the revenue
25 control limit in fiscal year 2009-2010. If the budgeted estimate amount is
26 greater than the amount received pursuant to subsection C, the governing
27 board shall not expend more than the amount received pursuant to
28 subsection C. If the budgeted estimate amount is less than the amount
29 received pursuant to subsection C, the governing board may revise its budget
30 during fiscal year 2009-2010 to include the actual amount received pursuant
31 to subsection C and shall not expend more than the amount received pursuant
32 to subsection C.

33 E. School districts shall include in the revenue estimates that they
34 use for computing their tax rates for fiscal year 2008-2009 the monies that
35 they will receive pursuant to subsection C.

36 Sec. 44. Technology assisted project-based instruction program;
37 correction of state aid; prohibition

38 Notwithstanding section 15-915, Arizona Revised Statutes, or any other
39 law, the department of education shall not correct state aid for a technology
40 assisted project-based instruction program for fiscal year 2007-2008 or prior
41 fiscal years in order to address issues pertaining to concurrent enrollment
42 that were identified in the October 2007 auditor general performance audit of
43 the program.

44 Sec. 45. Audits; average daily membership

45 For fiscal year 2008-2009, the department of education or the office of
46 the auditor general may conduct average daily membership audits of school
47 districts and charter schools.

1 Sec. 46. Desegregation budget; limit

2 Notwithstanding section 15-910, Arizona Revised Statutes, the maximum
3 amount that a school district may budget for desegregation activities for
4 fiscal year 2008-2009 shall be computed as follows:

5 1. Determine the amount that the district budgeted for desegregation
6 activities for fiscal year 2007-2008 pursuant to Laws 2007, chapter 264,
7 section 15.

8 2. Compute the percentage increase in average daily membership for the
9 district, as defined in section 15-901, Arizona Revised Statutes, as amended
10 by this act, for the 2007-2008 school year above the 2006-2007 school year.
11 If average daily membership for the district decreased for the 2007-2008
12 school year below the 2006-2007 school year, assume a per cent increase of
13 zero.

14 3. Multiply the amount determined in paragraph 1 of this section by
15 the percentage determined in paragraph 2 of this section.

16 4. Multiply the amount determined in paragraph 1 of this section by
17 two per cent for assumed inflation.

18 5. Add the amounts determined in paragraphs 1, 3 and 4 of this
19 section.

20 Sec. 47. Adjustment for rapid decline in student count for
21 fiscal year 2008-2009

22 Notwithstanding section 15-942, Arizona Revised Statutes, for fiscal
23 year 2008-2009, the department of education shall not provide rapid decline
24 funding to school districts.

25 Sec. 48. New construction moratorium

26 A. Notwithstanding sections 15-2011 and 15-2041, Arizona Revised
27 Statutes, for fiscal year 2008-2009, the school facilities board shall not
28 authorize or award funding for the design or construction of any new school
29 facility unless the school district qualifies under subsection C of this
30 section. Additionally in fiscal year 2008-2009, the school facilities board
31 shall not authorize or award funding for school site acquisitions.

32 B. During fiscal year 2008-2009, school districts shall submit capital
33 plans according to section 15-2041, subsection C, Arizona Revised Statutes.
34 The school facilities board may review and award new school facilities as
35 outlined in section 15-2041, Arizona Revised Statutes, subject to future
36 appropriations.

37 C. If a school district qualifies for additional space in fiscal year
38 2008-2009 due to the implementation of full-day kindergarten, the school
39 facilities board shall provide monies for architectural and engineering fees,
40 project management services and preconstruction services according to section
41 15-2041, subsection E, Arizona Revised Statutes.

42 Sec. 49. School facilities board lease-to-own

43 Notwithstanding section 15-2004, subsection M, section 15-2005,
44 subsection M and section 15-2006, Arizona Revised Statutes, the school
45 facilities board shall enter into lease-to-own transactions for up to a
46 maximum of \$593,000,000 in fiscal year 2008-2009. Of this amount,
47 \$344,000,000 shall be recouped from fiscal year 2007-2008 and prior year
48 expenditures, \$8,000,000 shall be used for capital costs for full-day

1 kindergarten and \$12,000,000 shall be used pursuant to section 54, subsection
2 B of this act, relating to school facilities board loan agreement. The
3 lease-to-own transactions shall not mature more than fifteen years from the
4 respective dates of the transaction.

5 Sec. 50. Intent

6 A. It is the intent of the legislature to expand teacher performance
7 pay programs for all school districts and charter schools by appropriating
8 monies to the classroom site fund.

9 B. It is the intent of the legislature that monies appropriated to the
10 classroom site fund as specified in section 15-977, subsection G, paragraph
11 3, Arizona Revised Statutes, as amended by this act, be used by school
12 districts and charter schools to enhance student achievement by providing
13 additional performance pay to teachers.

14 C. It is the intent of the legislature by this act to reduce local
15 property taxes and to reduce local property tax burdens of the taxpayers of
16 this state by requiring reductions in funding for school districts with
17 career ladder programs or optional performance incentive programs that choose
18 to participate in the additional performance pay programs established
19 pursuant to section 15-977, subsection G, paragraph 3, Arizona Revised
20 Statutes, as amended by this act.

21 Sec. 51. School facilities board cash flow

22 The sum of \$117,000,000 is appropriated to the school facilities board
23 from the general fund in fiscal year 2008-2009 to use for new construction
24 projects due to an insufficient cash balance before lease-to-own proceeds are
25 received as pursuant to section 49 of this act. This appropriation shall be
26 repaid from the lease-to-own proceeds authorized in section 49 of this act by
27 the end of fiscal year 2008-2009.

28 Sec. 52. Purpose

29 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,
30 the legislature continues the commission for postsecondary education to:

31 1. Conduct, supervise and coordinate the review of public and private
32 postsecondary education institutions in this state to determine their
33 eligibility for student financial aid monies.

34 2. Administer specifically identified federal and state financial aid
35 programs.

36 3. Provide a forum to public and private postsecondary education
37 institutions for discussion of issues of mutual interest.

38 4. Coordinate and promote studies of interest to postsecondary
39 institutions.

40 5. Provide information to the public on postsecondary education
41 opportunities in this state.

42 Sec. 53. Department of education; e-learning pilot program
43 funding; reversion

44 Of the \$3,000,000 appropriated from the state general fund to the
45 department of education e-learning pilot program by Laws 2006, chapter 375,
46 section 6, as notwithstanding by Laws 2007, chapter 264, section 14, any
47 unexpended amounts revert to the state general fund on the effective date of
48 this act.

1 Sec. 54. Loan agreement; school facilities board

2 A. Notwithstanding section 15-342, Arizona Revised Statutes, until
3 December 31, 2008, the school facilities board and a union high school
4 district are authorized to enter into an loan agreement to fund facilities
5 costs if the school district meets all of the following criteria:

6 1. The school facilities board determines in a public meeting that the
7 union school district has an existing facility condition that violates the
8 state minimum facilities guidelines established by section 15-2011, Arizona
9 Revised Statutes.

10 2. The union high school district applied for emergency deficiencies
11 funding for provided by section 15-2022, Arizona Revised Statutes, for the
12 existing facility condition under paragraph 1 of this subsection and
13 emergency deficiencies funding was denied by the school facilities board.

14 3. The school district is an union high school district that is
15 located in a county with a population that exceeds one million five hundred
16 thousand persons.

17 4. The school district's student count for the 2006-2007 school year
18 was more than twelve thousand five hundred pupils and less than fourteen
19 thousand pupils.

20 5. The school district has sufficient class B bonding capacity to
21 cover the entire loan amount provided by the school facilities board.

22 6. An election will be requested pursuant to subsection D of this
23 section to authorize the issuance of class B bonds to fund the existing
24 facility condition under paragraph 1 of this subsection.

25 B. Notwithstanding section 15-2041, Arizona Revised Statutes, the
26 school facilities board may loan up to twelve million dollars from monies in
27 the new school facilities fund to a union high school district as provided in
28 subsection A of this section.

29 C. The loan agreement entered into by the school facilities board and
30 the union high school district pursuant to subsection A of this section shall
31 include the specific purpose of the loan, including the list of capital
32 improvements, the total amount of the loan, the repayment schedule and the
33 conditions under which the school facilities board is authorized to loan
34 monies to the union high school district as provided in this section. The
35 school facilities board shall consider the availability of school district
36 monies when establishing the repayment schedule.

37 D. If a union school district enters into a loan agreement with the
38 school facilities board pursuant to subsection A of this section, the school
39 district governing board shall request that the county school superintendent
40 call for an election no later than twelve months of the date of the loan
41 agreement entered into by the school facilities board and the union high
42 school district to authorize the school district to issue class B bonds for
43 the purposes prescribed in this section. The publicity pamphlet for the bond
44 election shall be prepared and distributed pursuant to section 15-491,
45 subsection H, paragraph 6, subdivision (b), Arizona Revised Statutes.

1 E. Notwithstanding any other law, if the qualified electors in the
2 union high school district authorize class B bonds to be issued, the union
3 high school district governing board shall issue bonds within three months of
4 the election and shall expend bond proceeds to repay the total loan amount as
5 provided in the loan agreement with the school facilities board.

6 F. Notwithstanding any other law, if the qualified electors do not
7 authorize bonds to be issued, the union high school district governing board
8 shall repay the loan with building renewal monies or unrestricted capital
9 outlay monies based on a repayment schedule outlined in the loan agreement.

10 G. Notwithstanding any other law, if the qualified electors authorize
11 bonds in a subsequent bond election, the union high school district shall
12 expend bond proceeds to repay the remainder of the loan amount.

13 Sec. 55. Building renewal fund suspension

14 Notwithstanding section 15-2031, Arizona Revised Statutes, the building
15 renewal fund shall be suspended for fiscal year 2008-2009.

16 Sec. 56. Retroactivity

17 Sections 27 and 29 of this act, relating to the school facilities
18 board, are effective retroactively to July 1, 2008.

19 Sec. 57. Retroactivity

20 Sections 26 and 28 of this act, relating to the commission for
21 postsecondary education, are effective retroactively to July 1, 2008.

22 Sec. 58. Emergency

23 This act is an emergency measure that is necessary to preserve the
24 public peace, health or safety and is operative immediately as provided by
25 law."

26 Amend title to conform

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